



ANNUAL REPORT 2020

**MALDON &
DISTRICT
FINANCIAL
SERVICES LTD**

ABN: 46 086 749 886

INDEX

Chair's Report	2
Manager's Report	5
Community Impact Report	7
Directors' Report	15
Auditor's Independence Declaration	17
Financial Statements	18
Notes to the Financial Statements	21
Directors' Declaration	39
Independent Audit Report	40



The Maldon & District Community Bank (MDCB) is a locally owned and operated bank that gives 80% of its profits back to our community.

It's called a "Community Bank", which means it's owned and run by the community through a local company - the Maldon & District Financial Services Ltd (MDFSL). We're part of the bigger Bendigo Bank network which means we offer their full range of banking and financial products.

We have branches in Maldon, Dunolly and Newstead. But you don't need to live in our community to bank with us. Once you have your accounts, loans, business accounts, superannuation, equipment finance or insurances with us, you can do your day-to-day banking at any of the 500+ Bendigo Bank or Community Bank branches around Australia, or via internet or telephone banking.

Our team of passionate and professional banking staff really listen to our customers, because they want to help you achieve your financial goals, so you can enjoy and take control of your life. Even though we're deeply connected to our communities, we also offer complete confidentiality as part of our face-to-face, personalised service.

We're passionate about working with and supporting both our customers and communities to thrive and prosper. Our bank is a cornerstone of our communities - we've injected more than \$3.1 million over the last 20 years to communities throughout the central Victorian goldfields region.

The more we can do for you, the more we can do for everyone. By banking with us, you can contribute to how your community grows and thrives.



Maldon & District Community Bank acknowledge the traditional owners of this land, the Dja Dja Wurrung people, and we pay our respect to the elders past, present and emerging.

The Dja Dja Wurrung people have been custodians of this land for many centuries, and have performed age old ceremonies of celebration, ritual and renewal. We acknowledge their living culture and their unique role in the life of this region. We express our gratitude that we share this land together, our sorrow for some of the cost of that sharing, and our hope and belief that we can move to a place of equity, justice and partnership together.



Cover image: Anders from Dunolly Primary School keeping warm in his new school beanie (2020 MDCB Spark Grant)

Year ended 30 June 2020

CHAIR'S REPORT

I have great pleasure in presenting this year's Chair's report. In a year that presented many challenges, it will be remembered for great projects, community spirit and most of all how we confronted adversity. It is an honour and privilege to be a part of a social enterprise that provides a valuable service, support to the community as well as local employment.

Maldon & District Financial Services Ltd (MDFSL) is a small company delivering great results. I would like to acknowledge our wonderful staff, loyal customers, committed members, dedicated board as well as the community minded group of individuals who established our company twenty-one years ago.

Despite the Covid-19 challenges, our Community Bank allocated over \$245,000 for community investment for the financial year to 30 June 2020. Of this amount, a significant \$120,000 has been injected into local community groups, and a further \$125,000 added to our Community Enterprise Fund (CEF) [see Notes to the Financial Statements - note 9d] ready for a grant round in 2021. Community Investment is the heart of our community model where valuable financial resources are injected into deserving community groups and projects.

Our staffing team

Over the year, the branch team have again delivered great service. Despite facing the challenges of Covid-19, they demonstrated an ability to operate as a united team, committed to the safety of our community. Huge appreciation to the branch team across our Maldon, Dunolly and Newstead sites.



We farewelled Sean Dupe earlier this financial year. We welcomed Paul Simmons as our new Customer Relationship Manager. He has seamlessly transitioned to be a valuable team member. Nicki Renfrey joined our team as Communications Officer in February 2020. Her experience and efficiency had a positive impact this financial year, and I look forward to working with her in the future.

We have a great mixture of fresh enthusiasm and experience in the staff team, who all contribute to the success of our company. Thanks to the team for their great work, and in particular their spirit in getting the job done as frontline workers during the uncertainty of COVID-19.

A special mention and thanks to Wendy Merlo for chairing the Community Investment portfolio and facilitating effective decision making as well as her efficient coordination of our Learner Driver Training Program.

As Branch Manager, Adam Balzan, is the catalyst behind this great team, and always maintains strong connections with the board and non-branch staff. In another successful year, Adam continued to strengthen his leadership and management abilities, passion for community outcomes and competence to deliver strong performance amid the challenges of COVID-19. I would like to praise Adam for his ability to deliver, as well as his joyful demeanour and his strong support to the Board. This is displayed through his availability, communication and collaboration.

Our Executive Officer, Karly Smith, contributed immensely to our successful year. She is a constant and effective support to the board, the Treasurer and to my role as Chair. I would like to express my appreciation to Karly for her professionalism, commitment, friendliness, initiative and prowess in her role as Executive Officer which encompasses the Company Secretary role. The board's role would be so much more demanding without Karly's efficiency and 'get the job done' attitude. Thank you. Thank you. Thank you.

The contribution of the board

MDFSL have a great board who not only manage the finances, but also maintain governance, engineer our communications and coordinate the granting and community connections. The contribution is more than the typical board due to the 'hands on' nature of Community Bank boards. The directors' generosity, professionalism and drive are very much appreciated and I thank them for supporting my role as Chair.

The Board has a number of portfolios (committees) that support the board to address the organisation's four strategic areas of focus:

- o Thriving business
- o Organisational capability
- o Community connections and marketing
- o Strengthen impactful community partnerships

Year ended 30 June 2020

CHAIR'S REPORT

Kerryn Healy does a sterling job as Treasurer and Chair of the Finance Portfolio, Deputy Chair of the board and Human Resources Portfolio member. Collaborating with Bendigo and Adelaide Bank, auditors and other external stakeholders to ensure rigour in our accounts is time consuming and Kerryn's commitment is commendable. Kerryn always considers fairness to the community and doing the right thing and MDCB is very fortunate to benefit from her wisdom, experience, fastidious account management and 'no fuss' approach.

Katie Finlay has again led our Communications Portfolio activities to meet our goal for greater community connection, and for MDCB to be one of the main sites that locals utilise for updates and news. Katie is always strategic in her approach and her passion for our model shows through in her drive for continual improvement.

Kirsty Mackay is another valuable board member, stepping up this year to lead the Audit & Governance Portfolio, and continue in her role as Deputy Chair of the Finance Portfolio. Kirsty is always raising great questions and critical thought to ensure we are optimally managing risk, upholding integrity, prudence and good judgement. Thank you Kirsty for your valuable contribution.

Janet Purcell is our community 'go to' person in Maldon. She has the pulse of our local people which assists greatly in her role in the portfolios of Community Investment and Communications. She keeps Maldon's history in our view and is committed to preserving local heritage and being our representative for the Maldon Streetscape project.

We welcomed Jane Goodrich to the board and embrace her business skills and diverse experience. We also welcomed former branch staff member and Communications Officer, Katie McEachran, who's 'all-rounder skills' have boosted the effectiveness of the board.

We sadly farewelled Mahesh Kandasamy as a director at the October AGM, and commend her for her contribution over two years on the MDFSL board.

Our company is a social enterprise providing a great service and building social and economic capacity. This is achieved through the interconnected roles of staff, board and informal community ambassadors.

Our impact

Our organisation made an operating profit of \$62,803 in 2019/20. Profit was higher than the year before by \$50,686, growth of 81%. Our business volume or footings has risen from \$135 million in 2018/19 to \$151 million in 2019/20, an impressive growth of 11%. As a company, we were pleased to provide a 7% return on investment for our members.

MDFSL made a profit in excess of \$60,000 for the 2019/20 financial year largely due to the Cash Boost received as part

of the Commonwealth Governments Covid-19 support package for small and medium businesses. It is the intention of the Board to allocate the majority of this surplus to support our communities with Covid-19 recovery during 2020/21.

As detailed in the Community Impact section of the Annual Report, our financial allocation is providing a valuable community service such as our driver education, and university & TAFE scholarship programs.

Another 30 young drivers completed our driver education program, promoting safety and confidence in learner drivers. Our scholarship program awards young people confronting challenges with a financial kick to support their learning pursuits. This year the program provided another three worthy recipients to cultivate individual and broader social capital for our communities.

And finally..

Many thanks to Bendigo and Adelaide Bank representatives, particularly to Shaun Leech, Graham Hartland, Shannon Egan, Justine Minne, the Community Central team, along with the Community Bank National Council (CBNC), who all support our franchise through our diverse activities. This genuine support is very much appreciated.

Thank you to all our customers and members for their support in making the Maldon & District Financial Services Ltd realise our vision to be a strong player in positively shaping our local communities.

The year ahead seeks to further strengthen our current initiatives and refine our strategy. This will see the organisation continuing to deliver excellent outcomes for our customers, members and community, as well as undertaking new activities to ensure continued growth and profit to reinvest into the community. We will also continue to further integrate the complementing parts of our organisation. We see a bright future ahead.

In appreciation,



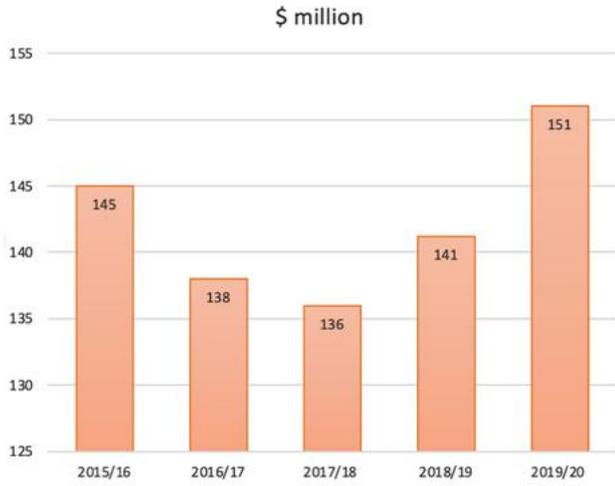
Ross Egleton
Chair



Ross welcoming new staff members
Nicki and Paul to the team

2019/20

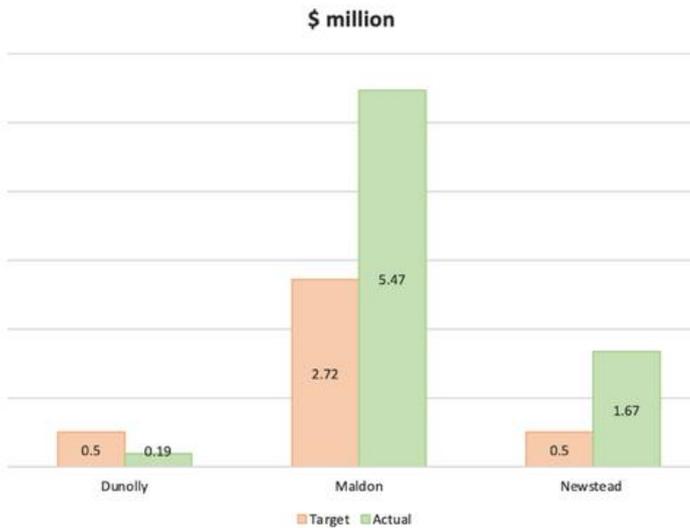
HIGHLIGHTS



Footings 2015/16 - 2019/20

\$151.2M
Book size

\$89.8M **\$61.3M**
Deposits *Lending*



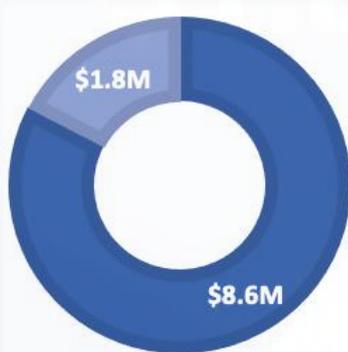
Growth targets and actual growth for each site, 2019/20

GROWTH

Lending growth
2019/20 \$7.2M increase 106%
2018/19 \$3.5M

Deposit Growth
2019/20 \$8.2M increase 17%
2018/19 \$7.0M

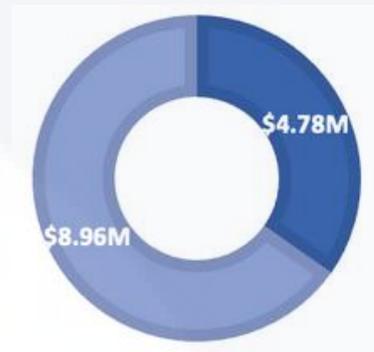
Branch footings 2019/20



Dunolly Branch



Maldon Branch



Newstead Branch

■ Lending ■ Deposits

Explanation of footings - these are the total deposits, loans and other business at our branches.

Year ended 30 June 2020

BRANCH MANAGER'S REPORT

The Maldon Branch celebrated 21 years of operation in April 2020. We are proud of the business growth and significant contribution to the community in this time. I am delighted to present my 2019/20 report outlining another successful year for the branch.

This year has been like no other, so before I talk about the business, I want to take the opportunity to reach out to all our customers, members and community. It has been a tiring and challenging six months due to the pandemic and ongoing restrictions. Thank you for your continued support of the Maldon & District Community Bank. As we keep hearing "we are all in this together" and there will be "blue skies" again in the not too distant future. The bank and our staff are here to help if you require support for your banking and financial matters.

All the numbers

It was pleasing to see branch lending grow by \$7.20 million in 2019/20, against a target of \$3.72 million. This is an increase of 106% on the previous year. This was largely due to a strong residential home loan market, with loan approvals up by 35% to \$25.68 million on the previous year. Loan settlements increased by 43% to \$26.20 million. Home lending is the biggest source of income for the company, and continued improvement in lending is the corner stone of this company's success.

The company's three branches achieved growth in 2019/20, with the Maldon Branch accomplished impressive growth of \$5.47 million against a target of \$2.72 million. Newstead Branch attained pleasing growth of \$1.67 million against a target of \$0.50 million. Unfortunately, whilst the Dunolly Branch achieved modest growth of \$.19 million, the branch failed to meet its target of \$0.50 million.

The company exceeded its deposit target of \$3.5 million, growing by \$8.22 million. This is an outstanding result as cash rates are the lowest they have ever been. All three sites achieved their targets on deposits for the year. Maldon's branch reached a deposit growth of \$7.09 million (against a target of \$2.50 million).



Late Autumnal rain at our Maldon Branch

Newstead achieved strong growth of \$1.76 million against a target of \$0.50 million, and pleasingly Dunolly's growth was \$.76 million against a target of \$0.50 million.

Our customers

Our banking team are working continuously to ensure that we are there for our customers throughout the region we serve. There was a modest increase in customer numbers across our three branches. 436 new accounts were opened for the year which is an increase of seven compared to last year. In-branch teller transactions were down 4.3 per cent across the three sites on last year. It worth noting that this figure is still high despite four months of COVID-19 restrictions. It highlights the important role branches and face-to-face enquiries play in servicing the financial needs of our customers and community.



Mel - celebrating 5 years of wonderful service at our Dunolly Branch

Business book

The company's total business book size holdings are now sitting at \$151.16 million. This consists of \$89.82 million in deposits and \$61.34 million in lending for the three branches. Maldon holds \$54.76 million in lending and \$72.27 million in deposits. Newstead holds \$4.78 million in lending and \$8.96 million in deposits. Dunolly holds \$8.59 million in deposits and \$1.80 million in lending.

Business banking specialists

A highlight for this year was the launch of the small business action plan program, providing 20 local businesses with the opportunity of business training and one-on-one business coaching. This has been a great program to support businesses to recover and relaunch during and following the impact of COVID-19 restrictions. Maldon & District Community Bank recognises the important role of small businesses to the economy and has a team of expert business bankers at hand providing the full range of financial and banking services.

Year ended 30 June 2020

BRANCH MANAGER'S REPORT

Our staff - welcomes and farewells

Congratulations also to staff member Natasha Tickner and her husband, Ben, on the arrival of their second child a little boy named Arlo. Natasha, enjoy your time off with your family and we will welcome you back shortly.

We farewelled Sean Dupe who transferred to the Daylesford Community Bank Branch after 4 years at the Maldon & District Community Bank. His dry wit and banking knowledge will be missed, and we wish him all the best in his new venture. Our loss is Daylesford's gain. We also said goodbye to our inaugural Communications Officer Katie McEachran who joined the Bendigo Bank head office as a Product Officer. We welcomed Nicki Renfrey to the role of Communications Officer in February 2020. Nicki has boosted the company's reach into the community, sharing community and banking news, to both inform, inspire and entertain our community.

Paul Simmons joined to our team in November 2019 as a Customer Relationship Manager. Paul joined us from the Castlemaine ANZ and brings with him a great reputation of helping his large customer base. Paul knows the area well and has fitted nicely into the team. Paul is a huge asset to the branch and has hit the ground running.



Celebrating 21 years of Community Banking in Maldon

Thanks to our staff - Wendy Merlo, Jan Brain, Narelle Rowland, Melanie Schodde, Kyle Winstanley and Lara Mulholland - for everything you have done this year. It has been one of the more challenging years we have all faced and throughout all the hardship we have continued to be on the front foot to help our customers and community. I couldn't do my job without your support so once again a big thank you.

Board support

I would also like to thank the board's executive team of Ross Egleton, Kerry Healy and Karly Smith. It has been a tough year but with your guidance and support we have been able to continue to run a very successful and profitable company, as well as putting measures in place to ensure the success continues into the future.

Thanks also to the rest of the board - Katie Finlay, Janet Purcell, Jane Goodrich, Katie McEachran and Kirsty Mackay - for your support and guidance over the past 12 months.

Looking ahead

I am looking forward to the next 12 months as we begin to emerge from Covid-19 and continue to adapt and position the company to remain profitable for the community and our members. Our staff will still be here to serve our loyal customers and as always, we have smiles on our faces (even if they are covered with a mask!).



Adam Balzan
Branch Manager



COVID-19 safety at our branches: installation of protective screens in April, along with social distancing guidelines. Then came hand sanitiser stations, and finally face masks for all. Thank you to all of our customers and the community for following the pandemic guidelines when visiting our branches.



2019/20

COMMUNITY IMPACT

We measure our impact in many ways, from providing excellent banking and financial services to our region, employing local people, and importantly returning 80% of our profits back to the community through our community partnerships program (aka grants and sponsorships).

Over \$3.1 million has been returned to the region since 1999 thanks to our customers banking with the Maldon & District Community Bank. This results in the whole community sharing in our success!

\$120,000

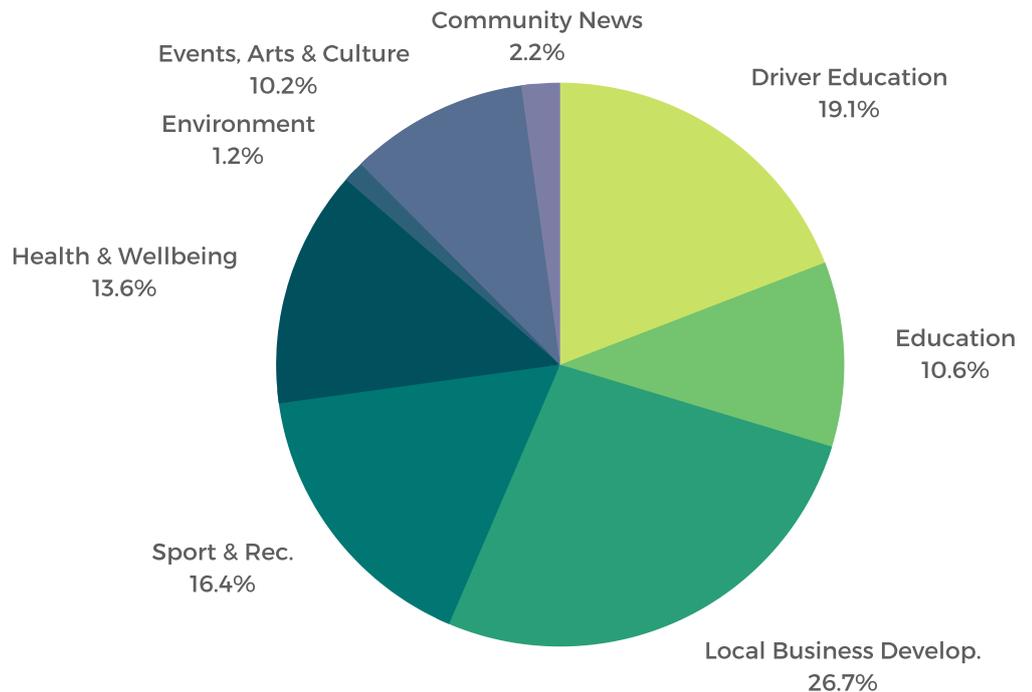
Community investment spend

\$125,000

Into the CEF for future grants programs

2019/20

COMMUNITY INVESTMENT SPEND BY SECTOR



OUR PEOPLE

10 staff
8 directors
167 members



CUSTOMER IMPACT

5,601 customers
3,145 accounts
436 new accounts opened

Year ended 30 June 2020

COMMUNITY IMPACT REPORT

Giving back to our communities is at the heart of the Community Bank model. In 2019/20 we proudly injected \$120,000 back into our communities, returning the profits from our banking and financial services. The community partnership program is an essential part of the fabric of our Central Victorian goldfield communities. The program builds community, fosters creativity and enhances connections throughout the region.

Strengthening our communities is a key outcome of the bank's community partnership program. We achieve this by working with community groups and stakeholders to fund and support projects, events and other activities. Community groups apply for support via our monthly sponsorship program. MDCB also initiates projects and activities, working with key organisations to deliver outcomes to support community needs.

It is important that our community partnerships have wide reach and reflect the diversity in our communities. Just over a quarter of the funding in 2019/20 was allocated to business development. This directly supported local small businesses to recover and rebound from the impacts of Covid-19. The learner driver program attracted 19% of funding, with sport and recreation closely following with 16%. Health and wellbeing activities (14%), education (11%) and events, arts and cultural activities (10%) were also strongly represented.

The impact of the COVID-19 pandemic was felt throughout the region in the second half of the financial year. Many of the events and activities supported by the Community Bank were postponed and later cancelled due to social distancing and travel restrictions. Whilst it was a subdued and quieter time, the Community Bank explored new ways and continued to support local community groups, schools and sporting clubs during this challenging time. It is wonderful to witness our communities remaining strong and connected throughout the pandemic.

The focus of our community partnership program remains on supporting our communities to thrive as we emerge from the pandemic and recover from the social and economic impacts.

The following outlines the community partnership highlights of 2019/20.



Maldon Campdraft, March 2020

Addressing isolation and loneliness

A new funding stream was launched in October 2019 to support projects to connect people in our communities. Loneliness and isolation were identified as a major social issue to address.

Grants of \$2,000 were provided to the Dunolly & District Neighbourhood Centre and Maldon Neighbourhood Centre to support projects in each community, in order to improve the wellbeing and quality of life for isolated and lonely people.



The Maldon Neighbourhood Centre created a series of themed walks called 'iso-breakers', to connect local people through free guided walks around town and introductions to various activities and clubs. This project was also supported by an Australia Post grant, and is due to roll out in October-December 2020. The Dunolly & District Neighbourhood Centre's funding has supported a number of activities to connect locals in this region.

Active, healthy and connected communities

The Community Bank maintained funding for sporting clubs despite the cancellation of a number of competitions due to COVID-19 restrictions.

We supported the ongoing costs of running football netball clubs at Maldon, Dunolly, Newstead and Harcourt, as well as supporting events and tournaments at the Maldon and Newstead bowling clubs, Dunolly Field and Game Club, cricket clubs in Newstead and Laanecoorie-Dunolly, Maldon and Dunolly golf clubs, and the Maldon Campdraft held in early March.



Junior golfers in Dunolly

Year ended 30 June 2020

COMMUNITY IMPACT REPORT

We applaud all of the amazing volunteers behind the sporting clubs, and look forward to the resumption of activities in 2020/21. And remember, whether you're on the courts or grounds, the Community Bank is there for our sporting clubs.



Season opener at Maldon Bowling Club



Brad Hodge helping out Newstead Cricket Club's fundraiser for a new cricket pitch at Newstead Primary



Board Chair Ross Egleton handing out prizes at Newstead Bowling Club's tournament



Maldon Pony Club's July Horse Trials



← Official opening of Maldon's new petanque piste

Raking the new piste in Maldon →



Celebrating 21 years of Community Banking

We celebrated our birthday a little differently in April due to COVID-19 restrictions. Instead of inviting our community to celebrate in person with us, we had a quiet celebration in-branch, with a toilet roll 'cake' and the giving of gifts to the community.

Donations of \$1,000 were distributed to the Mount Alexander Community Pantry and the Dunolly Primary School, to help these organisations support vulnerable community members impacted by the pandemic.

"The Mount Alexander Community Pantry is extremely grateful to the Maldon & District Community Bank for its generous donation to our new food relief partnership; and congratulates the bank for its 21 years of significant community support," commented Mount Alexander Community Pantry spokesperson Emma Shannon.

Our gift to Dunolly Primary School supported families in need with food packages and assistance to access remote learning.

A donation of \$5,000 was made in partnership with the local Murray-to-Moyne team (Maldon M2M) to the Maldon Hospital to support this vital community institution.



Year ended 30 June 2020

COMMUNITY IMPACT REPORT

Sparking ideas in local primary schools

It has been a challenging time for schools this year, with COVID-19 restrictions leading to remote learning for much of terms two and three. The Maldon & District Community Bank released a new round of Spark Grants in June 2020 to provide a much-needed boost to our local primary schools. The grants are a special program to empower students to work together and use their talent and imagination to come up with a great idea and deliver a project to benefit their school or wider community. We absolutely love the ideas that the students dream up!

Keeping kids warm and toasty at Dunolly PS

Dunolly students were thrilled to receive their grant funding and quickly 'sparked' up a great project – beanies for each and every student. The various comments from the students were priceless.

it'll be great that we can all keep our heads warm
Jordan (Prep)

everyone will look really cool and the beanies will keep us all warm.
Ryan (Grade 3)

it means people won't feel left out if other students have them and they don't.
Taylah (Grade 2)



And the final word from Principal Katie Lovel, "the Spark funding has once again provided the students with the opportunity to have some decision making in projects which benefit the school and the students. They are extremely excited about the beanie project and have been involved in the full process resulting in voting on the final design."

Sparking ideas at Maldon PS

The students were elated to receive the funding to improve their school. Acting Principal Alisa Burdett welcomed the funding as "a genuine opportunity for the students to make a change in the school and see a project through."

The Student Representatives Body is still working through ideas – and we can't wait to see what emerges.

Programmable robots at Newstead PS

Spheros programmable robotic equipment landed in Newstead Primary School thanks to this year's Spark Grant. The students came up with the idea to purchase the robotic equipment to support the school's STEM program. STEM is an approach to learning that integrates science, technology, engineering and mathematics to develop creative thinking and teamwork.



we really wanted to do coding and we thought that the Spheros would be such a fun and exciting way to learn this skill.
Indi Ramsey, school captain

Science and technology resources for Bealiba

Students at Bealiba were excited at their inclusion in the Spark Grants program for the first time. Although Bealiba is a small school (10 students), we know the students have big ideas.

STEM activities were chosen because science is cool, and it's a great way to learn about our world. The new equipment will let us experience and learn about new things, like looking at bugs close up.
Geordan, student leader



According to Principal Carol Taylor, "the students have enthusiastically planned and researched how best to use the grant. Our students brainstormed ideas, with student leader Geordan chairing the vigorous discussions."

Flying the flag at Harcourt Valley PS

Promoting inclusivity was identified by Harcourt Valley students as their project for Spark funding. New flag poles will be installed to fly the Aboriginal and Torres Strait Islander Flags, alongside the Australian flag, to celebrate inclusivity at the school.

"Providing students with the opportunity to voice their opinion is one of our school priorities and receiving this grant will ensure our students utilise their creative ideas to come up with a project to benefit our school community," commented Principal Andrew Blake.

"It was great timing to receive news of the grant, with students transitioning back to school. The students love the opportunity to come up with ideas to improve our school."

Year ended 30 June 2020

COMMUNITY IMPACT REPORT



Community celebrations

Events, festivals and gatherings are important ways to connect our communities, attract visitors to our region and celebrate good times. We love supporting these activities, and were fortunate to be involved in many before COVID-19 restrictions came into force.

The inaugural Maldon Classic took place in September 2019. The Community Bank came on board as the major sponsor of this new event celebrating all things to do with vintage bicycles. The organisers held a display of classic bikes, hosted a series of rides round Maldon and screened the acclaimed documentary *The Bikes of Wrath*.

The biennial Mount Alexander Shire Business Awards increased in size and kudos in 2019. The Community Bank was a key sponsor of these awards that showcase innovative and exceptional businesses in the region. The Community Bank sponsored the retail and hospitality category, with Board Chair Ross Egleton presenting the award to Mt Alexander Timber & Hardware, who went on to win the coveted Business of the Year award.

Maldon & Baringhup Agricultural Society's 2019 Spring Show prize ribbons were funded by the Maldon & District Community Bank, continuing a long-standing partnership between our organisations. The Maldon Twilight Dinner transformed Main Street into a marvellous alfresco dining experience in January. The Bank were once again proud major sponsors of this event, which is popular with both locals and visitors from around the region and state.

Tarrangower Australia Day celebrations are a highlight for the Maldon and district community. The Community Bank are a major sponsor of the event and also sponsor the Young Citizen of the Year category.

This was awarded in 2020 to talented Maldon horseman Flynn Greentree. The Nuggetty Landcare Group were on site to hand out indigenous plants, courtesy of Community Bank funding.

Newstead Live musical festival's Live 'n' Local stage was sponsored by the Community Bank over the 2020 Australia Day long weekend. The stage was expertly run by four local young people who are "passionate about promoting the music of other young people in the community," according to co-organiser Amy Ferguson. This team of 17-18 years olds curated the stage, artists and "everything in between".

Although COVID-19 restrictions saw the annual Race Ya! family day-Asthma Australia fundraiser (in memory of Ned Cameron) postponed, the Community Bank honoured our commitment with a donation of \$500 to support this important fundraiser.

The Central Victorian CWA Group's timing for hosting the biennial art and craft show was excellent, with the March event just beating COVID-19 restrictions. Community Bank funding supported this well attended event showcasing the talents of CWA members from Swan Hill to Heathcote. The Newstead Arts Open arts trail also proceeded ahead of the restrictions, with artist studios open to the public in Newstead, Green Gully, Sandon and Strangways.

The Harmony Day Community Picnic for Refugees, hosted by the Harcourt Uniting Church in partnership with the Phoenix Chewton CWA, Loddon Campaspe Multicultural Services and Rural Australians for Refugees, was another casualty of the pandemic restrictions. The group retained their community bank funding for expenses already incurred for the event.

Images: Top section - Maldon Classic - presentation of awards; Maldon Athenaeum Library - grand opening new rooms; Central Vic. CWA art show; Newstead Live 'n' Local festival; and Newstead Arts Open Lower section - Maldon Twilight Dinner; Maldon Show - sheep judging; Maldon Show - 'show girl' winners; Mount Alexander Business Award winner; and Tarrangower Australia Day Young Citizen of the Year



Year ended 30 June 2020

COMMUNITY IMPACT REPORT

Supporting our communities during COVID-19

Boost for local small businesses



Increased confidence, new skills and connections to other businesses are just some of the benefits that emerged from a new program in 2020 to support small businesses. Nineteen businesses from around the region graduated from the program, building their business knowledge and resilience during the changed COVID-19 landscape.

The program, led by Sorted's small-business expert Clare Fountain, provided businesses with a 'road map' to identify new opportunities, develop effective business plans and furnish participants with practical tools and advice.

Congratulations to all of the graduates of our small business action plan program for showing their commitment to the success of their business and to strengthening their communities.



Blumes Historic Bakery

The Community Bank also committed to additional advertising in Maldon's newspaper The Tarrangower Times in response to the tough environment for local newspapers. We also maintained our support for Dunolly's Welcome Record, Newstead's The Echo, The Baringhup Community Newsletter and The Core in Harcourt, recognising the vital role local newspapers and community newsletters.



Small business program graduates (clockwise from top): Travel & Cruise Castlemaine; Diggs Fine Lodgings; Maldon Getaways; Kangaroo Hotel, Pauline's Real Estate; Independent Creatives; Dove Cafe; Goodness Flour; Dear Olive; Murrong Mammies

Year ended 30 June 2020

COMMUNITY IMPACT REPORT

Supporting youth in our communities

Safer learner drivers

Another 30 learner drivers graduated from the Community Bank's flagship program in 2019/20, resulting in safer and more confident drivers. The long-running program, available to learner drivers from around the region, is run by qualified and ever patient instructor Gary Clarke. Since its inception in 2003, over 430 learner drivers have completed the program.

One of this year's graduates was Newstead's Scarlet Boyack, who completed the program in January. She was able to triple her driving hours, in addition to developing new on- and off-road driving skills.

"I decided to do this course as I'd heard lots of positive feedback about it. I learnt lots, especially the way Gary taught us to parallel park. I also found the gradual increase from rural to city driving was great, and perfect for a learner driver," commented Scarlet.

Participants come into the program with a range of experience. Some have only just gained their learners permit, whilst others have many hours of driving under their belts. Regardless of experience, they all benefit from the course, building their skills and confidence. Graduates also receive a reward of a \$50 bank account at the completion of the course.



Graduates Kayla, Flinders and Kalinda



Branch member Wendy with Alex, Lloyd and Phoenix



Sage, Scarlet, and Casey with instructor Gary and Wendy from the branch

Scholarships for TAFE and university

Demand for our TAFE and university scholarship program grew in 2020, attracting over 30 applications from around the region. The Maldon & District Community Bank responded by releasing an additional \$1,000 scholarship to accompany the two existing scholarships (major \$2,000 and minor \$1,000). The scholarships assist young students (under 25 years) to undertake higher studies, training or apprenticeships.

Maldon's Flynn Leeson, along with Alyssa Geurts and Bryleigh Geurts-Hartmann from Werona, were the very deserving recipients of this year's tertiary scholarships.

The major scholarship of \$2,000 was awarded to Flynn for his Bachelor of Business studies at Swinburne University.

His career goal is to work in fields related to public policy, either in the public or private sector. "How I get there is currently up in the air, but as long as I can positively influence the world in my own small way I'll be happy!", commented Flynn.

Bryleigh Geurts-Hartmann and Alyssa Geurts each received a \$1,000 scholarship. Bryleigh is studying Nutrition and Food Science at Ballarat's Federation University. Alyssa, a former student at Maryborough Education Centre (MEC), used her scholarship funds to assist with fuel and associated study costs for her studies at Longerenong Agricultural College.

"We know that the scholarships help each one of them overcome some of the obstacles to study, particularly travel costs. It's another way our Community Bank supports youth in our communities" said Maldon & District Community Bank Chair Ross Egleton.



Flynn receiving his scholarship from Branch members Adam Balzan and Wendy Merlo



Alyssa and Bryleigh collecting their scholarships at the Newstead Branch

Year ended 30 June 2020

COMMUNITY IMPACT REPORT

And finally

Proactive partnerships

Representatives from the Community Bank were active participants in a number of community stakeholder groups, including the Mount Alexander pandemic business sub-committee and the Maldon Streetscape Steering Group. We value the contribution we bring to these groups, representing our communities and adding to the successful outcomes of these committees.

Acknowledgments

The Community Investment Portfolio, the team behind the sponsorship and grants programs, are a talented unit. We are thankful for and acknowledge the passion and hard work of members Janet Purcell, Ross Egleton and Branch Manager Adam Balzan, who work alongside Wendy Merlo (Portfolio Chair) and Karly Smith (Executive Officer). We appreciate the team's connection to our region and community groups, and commitment to building stronger communities.

There is a strong camaraderie amongst the portfolio members, which survived the shift from in-person meetings to connecting online for our monthly Zoom meetings. We are looking forward to continuing the work of the portfolio - and hopefully conducting our meetings in person again soon!

The Portfolio is supported by the board, branch team and Communications Officer Nicki Renfrey to deliver our program and celebrate its successes. We look forward to continuing to have a positive and lasting impact in our communities over the next 12 months.



Wendy Merlo
Community Investment
Portfolio Chair



Karly Smith
Executive Officer

Grants projects unveiled in 2020/21

Many of the 2019 grants projects came to fruition in 2020/21, with events held, building and gardens upgraded, and facilities refreshed. Maldon & District Community Bank representatives were on site to celebrate and congratulate the groups for their vision and perseverance in developing, managing and finally completing these projects. Here are a few of the photos of these successful projects.



Newstead Arts Hub landscaping project



Library books galore at Dunolly Primary



Xtreme Inc. youth festival (Sept. 2019)



Newstead Primary's outdoor uplift seating made by the Men's Shed



Maldon Primary's 2019 Spark project garden project



New netball rings for Dunolly Football Netball Club



Tarrangower Community Plan



Wireless performance head sets for Castlemaine Secondary



New stage curtains, Maldon Community Centre

DIRECTOR REPORTS

Director profiles

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

Ross Arthur Egleton

Chair

Occupation: Project Manager

Qualifications, experience and expertise: Bachelor of Commerce; Human Resource Management - Graduate Certificate; Committee member - Maldon Football Netball Club.

Portfolios: Audit & Governance, Community Investment, Finance, HR (Chair)

Karly Brenda Smith

Director, Company Secretary

Occupation: MDCB Executive Officer

Qualifications, experience and expertise: Bachelor of Arts (Hons). Graduate Australian Institute of Company Directors (GAICD). Executive Officer of MDFSL and director since 2007.

Over fifteen years' experience as a geographer working in project management and research in corporate, academic and not-for-profit community organisations. President Newstead & District Swimming Pool Inc.

Portfolios: Audit & Governance, Community Investment, Communications, Finance

Kerryn Margaret Healy

Treasurer, Deputy Chair

Occupation: Executive Director Corporate Services

Qualifications, experience and expertise: Bachelor of Business, CPA, Graduate Australian Institute of Company Directors (GAICD). Member of Women on Boards, 40 years in the health sector with the last 20 years in senior financial management and executive roles including 5 years as CEO, Honorary Treasurer and member of the Committee of Management of the Maldon Golf Club.

Portfolios: Finance (Chair)

Katherine 'Katie' Louise Finlay

Non-executive director

Occupation: Organic fruit-growing educator

Qualifications, experience and expertise: BSc (Monash), Graduate Australian Institute of Company Directors (GAICD); Recipient of RIRDC Rural Women's Award, 2015; Director of Community Food Marketplace Ltd (t/a Melbourne Farmers Markets). Owner of Mt Alexander Fruit Gardens certified organic mixed farm 1998-present; Grow Great Fruit Online teaching business 2012-present; and Carr's Heritage Fruit Tree Nursery.

Portfolios: Communications (Chair)

Kirsty Sue Mackay

Non-executive director

Occupation: Office Manager

Qualifications, experience and expertise: Joined the MDFSL board in 2018. Active member of the Newstead community, having served on the Newstead Preschool Committee and volunteering at the Newstead Primary School and Newstead Pool. Applied science degree and working history in regulation, currently part of a team running a small family business focusing on compliance, training and best work practice.

Portfolios: Audit & Governance (Chair), Finance (Deputy Chair)

Janet Mary Purcell

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Bachelor of Tourism Management and diplomas in Tourism and Tourism: Marketing & Product Development. Background in event management in local, state and federal government.

Volunteer and previous treasurer of the Maldon Museum and Archives Association Inc. Member of Tarrangower Community Plan Committee, assisting with community forums and engagement activities. Committee member of Maldon Focus and Maldon Streetscape Steering group. Volunteer at Tarrangower Cactus Warrior and Maldon's Clean-Up Australia.

Portfolios: Community Investment, Communications

Jane Louise Goodrich

Non-executive director (appointed 12 March 2020)

Occupation: Manager

Qualifications, experience and expertise: Current committee member of Castlemaine Circus Inc and Lot19 Art. Previous board member of Castlemaine Artists Market and the Environment Centre of the Northern Territory. Background in event management and community events. Co-founder of the Castlemaine Billy Cart Challenge.

Portfolios: Communications

Katie Lee McEachran

Non-executive director (appointed 26 May 2020)

Occupation: Network Support Officer - Bendigo Bank

Qualifications, experience and expertise: Double Diploma of Conservation & Land Management/Diploma of Sustainability. Long-term Bendigo Bank staff member: five at the Maldon & District Community Bank and currently a Network Support Officer. Currently studying Bachelor of IT Cyber Security, Certificate III Financial Services.

Portfolios: Audit & Governance

Maheswari 'Mahesh' Kandasamy

Non-executive director (resigned 30 October 2019)

Occupation: Co-operative Development Co-ordinator

Qualifications, experience and expertise: Bachelor of Economics, Grad. Cert. in Social Impact and Masters Sustainability & Social Change. 20 years' experience working within the banking, social enterprise and microfinance sectors. Joined the MDFSL Board in July 2018. Volunteer for Localising Leanganook and Australian Earthlaws Alliance. Currently working for Common Equity Housing Ltd (CEHL).

Portfolios: Audit & Governance (Chair)

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 Karly Brenda Smith. Karly was appointed to the position of secretary on 24 November 2008. Karly is also a director as per above.

Principal Activity

The principal activities of the company during the financial year were facilitating Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited, and distributing profits from this to support community development. 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 was:

Year ended 30 June 2020	Year ended 30 June 2019
62,803	12,117

New Accounting Standards implemented

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

See note 4 for further details.

Significant changes in the state of affairs

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

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

Events since the end of the financial year

Subsequent to the end of the financial year, the company was notified of a potential breach of its responsible lending policy following a complaint raised by one of its customers. The claim is between \$200,001 to \$500,000 and is currently under investigation by the Australian Financial Complaints Authority (AFCA). The company's insurers have been notified of the complaint as a circumstance notification at this stage.

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Director 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 26 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 & insurance of directors & officers

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

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

Directors' meetings

	Board Meetings Attended		Portfolio Meetings Attended									
			Community Investment		Finance		Communication		Audit & Governance			
	E	A	E	A	E	A	E	A	E	A		
Ross Arthur Egleton	11	11	10	9	12	10	-	-	-	-	1	1
Karly Brenda Smith	11	11	10	10	12	10	6	6	2	2	-	-
Kerryn Margaret Healy	11	10	-	-	12	12	-	-	-	-	-	-
Katherine 'Katie' Louise Finlay	11	10	-	-	-	-	6	6	-	-	-	-
Kirsty Sue Mackay	11	11	-	-	12	12	-	-	2	2	-	-
Janet Mary Purcell	11	11	10	10	-	-	6	6	-	-	-	-
Jane Louise Goodrich	4	4	-	-	-	-	3	2	-	-	-	-
Katie Lee McEachran	2	2	-	-	-	-	-	-	-	-	-	-
Maheswari 'Mahesh' Kandasamy	4	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 25 to the accounts.

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

- all non-audit services have been reviewed by the finance committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

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

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



Ross Arthur Egleton
Chair

Dated this 2nd day of October 2020

Auditor's Independence Declaration



Lead auditor's independence declaration under section 307C of the Corporations Act 2001 to the directors of Maldon & District Financial Services Limited

As lead auditor for the audit of Maldon & District 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: 2 October 2020



Joshua Griffin
Lead Auditor

FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

		2020	2019
	Notes	\$	\$
Revenue from contracts with customers	7	1,052,720	1,031,059
Other revenue	8	108,181	35,446
Finance income	8	-	-
Employee benefit expenses	9f)	(614,905)	(571,476)
Charitable donations, sponsorship, advertising and promotion	9d)	(244,688)	(221,161)
Occupancy and associated costs		(17,916)	(59,425)
Systems costs		(46,401)	(45,689)
Depreciation and amortisation expense	9a)	(62,441)	(34,052)
Impairment losses	9a)	-	-
Finance costs	9b)	(4,934)	(31)
Interest paid to members	9c)	(17,227)	(16,964)
General administration expenses		(89,586)	(105,590)
Profit before income tax credit		62,803	12,117
Income tax	10	-	-
Profit after income tax credit		62,803	12,117
Total comprehensive income for the year:		62,803	12,117

Statement of Financial Position

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	11a)	223,503	175,235
Trade and other receivables	12a)	153,413	112,811
Total current assets		376,916	288,046
Non-current assets			
Property, plant and equipment	13a)	699,545	712,965
Right-of-use assets	14a)	81,025	-
Intangible assets	15a)	50,538	63,722
Total non-current assets		831,108	776,687
Total assets		1,208,024	1,064,733
LIABILITIES			
Current liabilities			
Trade and other payables	16a)	236,894	215,199
Lease liabilities	18b)	27,104	-
Employee benefits	20a)	49,634	48,384
Total current liabilities		313,632	263,583
Non-current liabilities			
Trade and other payables	16b)	29,650	44,475
Loans and borrowings	17a)	6	6
Lease liabilities	18c)	55,237	-
Employee benefits	20b)	5,742	16,631
Provisions	19a)	6,737	-
Total non-current liabilities		97,372	61,112
Total liabilities		411,004	324,695
Net assets		797,020	740,038
EQUITY			
Retained earnings	22	797,020	740,038
Total equity		797,020	740,038

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Member Reserves \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		2,431	727,921	730,352
Total comprehensive income for the year		(2,431)	12,117	9,686
Balance at 30 June 2019		-	740,038	740,038
Balance at 1 July 2019		-	740,038	740,038
Effect of AASB 16: Leases	3d)	-	(5,821)	(5,821)
Restated balance at 1 July 2019		-	734,217	734,217
Total comprehensive income for the year		-	62,803	62,803
Balance at 30 June 2020		-	797,020	797,020

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		1,268,226	1,160,612
Payments to suppliers and employees		(1,134,006)	(1,062,963)
Interest paid		(17,228)	(17,257)
Lease payments (interest component)	9b)	(4,619)	-
Lease payments not included in the measurement of lease liabilities	9g)	(18,042)	-
Net cash provided by operating activities	23	94,331	80,392
Cash flows from investing activities			
Payments for property, plant and equipment		(8,083)	-
Payments for intangible assets		(12,142)	(12,010)
Net cash used in investing activities		(20,225)	(12,010)
Cash flows from financing activities			
Repayment of loans and borrowings		-	(1,201)
Lease payments (principal component)	18a)	(25,838)	-
Net cash used in financing activities		(25,838)	(1,201)
Net cash increase in cash held		48,268	67,181
Cash and cash equivalents at the beginning of the financial year		175,235	108,054
Cash and cash equivalents at the end of the financial year	11a)	223,503	175,235

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Reporting entity

This is the financial report for Maldon & District Financial Services Limited (MDFSL) {the company}. The company is a for profit entity for the purpose of preparing the financial statements. The entity is a company limited by guarantee and incorporated and domiciled in Australia. The registered office and principal place of business are:

<u>Registered Office</u>	<u>Principal Place of Business</u>
93 High Street, Maldon VIC 3463	81 High Street, Maldon VIC 3463

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 26.

Note 2. Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 2 October 2020.

Note 3. Changes in accounting policies, standards & interpretations

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

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

a) Definition of a lease

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

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:-

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

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

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

- did not recognise right-of-use assets and liabilities for leases 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 of financial statements

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

	Note	1 July 2019 \$
<i>Impact on equity presented as increase (decrease)</i>		
Asset		
Right-of-use assets - land and buildings	14b)	108,780
Liability		
Lease liabilities	18a)	(108,179)
Provision for make-good	19b)	(6,422)
Equity		
Retained earnings		(5,821)

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

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	56,563
Add: additional options now expected to be exercised	109,602
Add: variable market review / index based increase	-
Less: AASB 117 lease commitments reconciliation	(47,300)
Less: present value discounting	(10,686)
Lease liability as at 1 July 2019	108,179

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Summary of significant account policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 day's 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
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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.

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	7 to 40 years
Leasehold improvements	Straight-line	5 to 40 years
Plant and equipment	Straight-line and diminishing value	1 to 20 years
Furniture and fittings	Straight-line	2 to 3 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present. The estimated useful life and amortisation method for the current and comparative periods are as follows:

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

Amorisation 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:

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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.

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

Financial assets at amortised cost:

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

j) Impairment

Non-derivative financial assets

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

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

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

Recognition of expected credit losses in financial statements

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

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

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

Non-financial assets

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

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

k) Provisions

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

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

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

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

l) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

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

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

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased. Lease payments included in the measurement of the lease liability comprise the following:

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

The lease liability is measured at amortised cost using the effective interest method. It is 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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
 - 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.

m) Standards issued but not yet effective

There are no new Accounting Standards issued but not effective until future reporting periods that are expected to have a material 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 7 - revenue	whether revenue is recognised over time or at a point in time;
Note 18 - 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	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: <ul style="list-style-type: none"> - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

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

Note	Assumptions
Note 13 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
Note 20 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
Note 19 - 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Liquidity risk (continued).

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

30 June 2020 Non-derivative financial liability	Carrying amount	Contractual cash flows		
		Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	6	-	-	-
Lease liabilities	82,341	30,458	57,963	-
Trade payables	164,922	164,922	-	-
	<u>247,269</u>	<u>195,380</u>	<u>57,963</u>	<u>-</u>

30 June 2019 Non-derivative financial liability	Carrying amount	Contractual cash flows		
		Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	6	-	-	-
Trade payables	175,172	175,172	-	-
	<u>175,178</u>	<u>175,172</u>	<u>-</u>	<u>-</u>

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 held cash and cash equivalents of \$223,503 at 30 June 2020 (2019: \$175,235). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7. Revenue from contracts with customers

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

Revenue from contracts with customers	2020	2019
	\$	\$
Revenue:		
Revenue from contracts with customers	1,052,720	1,031,059
	<u>1,052,720</u>	<u>1,031,059</u>

Disaggregation of revenue from contracts with customers	2020	2019
At a point in time:		
Margin income	918,986	890,858
Fee income	67,448	67,099
Commission income	66,286	73,102
	<u>1,052,720</u>	<u>1,031,059</u>

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

Note 8. Other revenue

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

Other revenue	2020	2019
	\$	\$
Revenue:		
Market development fund income	45,000	30,000
Cash flow boost	61,348	-
Other income	1,833	5,446
	<u>108,181</u>	<u>35,446</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Expenses

a) Depreciation and amortisation expense

	2020	2019
	\$	\$
<i>Depreciation of non-current assets:</i>		
Buildings	16,825	17,081
Leasehold improvements	2,601	1,336
Plant and equipment	2,048	2,019
Furniture and fittings	-	-
Office equipment	-	-
Furniture and fittings	28	-
	21,502	20,436
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	27,755	-
	27,755	-
<i>Amortisation of intangible assets:</i>		
Franchise fee	2,198	2,237
Franchise renewal process fee	10,986	11,379
	13,184	13,616
Total depreciation and amortisation expense	62,441	34,052

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).

b) Finance costs

	2020	2019
	\$	\$
<i>Finance costs:</i>		
Bank loan interest paid or accrued	-	31
Lease interest expense	4,619	-
Unwinding of make-good provision	315	-
	4,934	31

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

c) Interest paid to members

	2020	2019
	\$	\$
Interest paid to members during the year	17,227	16,964
	17,227	16,964

The Constitution allows the payment of interest to members at a rate not exceeding interest at the rate for the time being charged by Bendigo and Adelaide Bank Ltd for overdrawn accounts as at the end of the preceding financial year on money borrowed from a member.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Expenses (continued)

d) Charitable donations, sponsorship, advertising and promotion

	Note	2020 \$	2019 \$
Direct sponsorship, advertising, and promotion payments		119,688	151,161
Contribution to the Community Enterprise Foundation™	9e)	125,000	70,000
		244,688	221,161

The funds contributed are held by the Community Enterprise Foundation™ (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors. When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

e) Community Enterprise Foundation™ contributions

<i>Disaggregation of CEF funds</i>			
	Note	2020 \$	2019 \$
Opening balance		47,802	124,947
Contributions paid in	9d)	125,000	70,000
Grants paid out		(15,300)	(146,900)
Interest received		1,679	3,255
Management fees incurred		(6,840)	(3,500)
Balance available for distribution		152,342	47,802

f) Employee benefit expenses

	2020 \$	2019 \$
Wages and salaries	469,019	414,414
Non-cash benefits	-	0
Contributions to defined contribution plans	50,168	41,990
Expenses related to long service leave	-	8,339
Other expenses	95,718	106,733
	614,905	571,476

g) Recognition exemption

	2020 \$	2019 \$
Expenses relating to low-value leases	18,042	-
	18,042	-

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Income tax expense

These accounts have been prepared on a tax-exempt basis as per the Australian Taxation Office Ruling on 22 October 2012 declaring that the company is entitled to income tax exemption under item 2.1 of the Income Tax Assessment Act 1997.

Note 11. Cash and cash equivalents

a) Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank and on hand	223,503	175,235
	223,503	175,235

Note 12. Trade and other receivables

a) Current assets

	2020	2019
	\$	\$
Trade receivables	91,366	87,881
Prepayments	15,198	16,623
Other receivables and accruals	46,849	8,307
	153,413	112,811

Note 13. Property, plant and equipment

a) Carrying amounts

	2020	2019
	\$	\$
<i>Land</i>		
At cost	199,387	199,387
	199,387	199,387
<i>Buildings</i>		
At cost	590,838	590,838
Less: accumulated depreciation	(113,844)	(97,019)
	476,994	493,819
<i>Leasehold improvements</i>		
At cost	20,835	14,988
Less: accumulated depreciation	(7,080)	(4,479)
	13,755	10,509
<i>Plant and equipment</i>		
At cost	46,382	59,028
Less: accumulated depreciation	(37,555)	(49,778)
	8,827	9,250
<i>Furniture and fittings</i>		
At cost	610	-
Less: accumulated depreciation	(28)	-
	582	-
Total written down amount	699,545	712,965

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Property, plant and equipment (continued)

b) Reconciliation of carrying amounts

	2020	2019
	\$	\$
<i>Land</i>		
Carrying amount at beginning	199,387	199,387
Carrying amount at end	<u>199,387</u>	<u>199,387</u>
<i>Buildings</i>		
Carrying amount at beginning	493,819	510,900
Depreciation	(16,825)	(17,081)
Carrying amount at end	<u>476,994</u>	<u>493,819</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	10,509	13,134
Additions	5,847	-
Depreciation	(2,601)	(2,625)
Carrying amount at end	<u>13,755</u>	<u>10,509</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	9,250	11,269
Additions	1,625	-
Depreciation	(2,048)	(2,019)
Carrying amount at end	<u>8,827</u>	<u>9,250</u>
<i>Furniture and fittings</i>		
Additions	610	-
Depreciation	(28)	-
Carrying amount at end	<u>582</u>	<u>-</u>
Total written down amount	<u>699,545</u>	<u>712,965</u>

c) Change 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Right-of-use assets

a) Carrying amounts

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 \$
<i>Leased land and buildings</i>			
At cost		150,735	-
Less: accumulated depreciation		(69,710)	-
Total written down amount		81,025	-

b) Reconciliation of carrying amounts

	Note	2020 \$	2019 \$
<i>Leased land and buildings</i>			
Initial recognition on transition	3d)	150,735	-
Accumulated depreciation on adoption	3d)	(41,955)	-
Depreciation		(27,755)	-
Carrying amount at end		81,025	-

Note 15. Intangible assets

a) Carrying amounts

	2020 \$	2019 \$
<i>Franchise fee</i>		
At cost	92,439	92,439
Less: accumulated amortisation	(84,016)	(81,818)
	8,423	10,621
At cost	112,193	112,193
Less: accumulated amortisation	(70,078)	(59,092)
	42,115	53,101
Total written down amount	50,538	63,722

b) Reconciliation of carrying amounts

	2020 \$	2019 \$
<i>Franchise fee</i>		
Carrying amount at beginning	10,621	1,871
Additions	-	10,987
Amortisation	(2,198)	(2,237)
Carrying amount at end	8,423	10,621
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	53,101	9,548
Additions	-	54,932
Amortisation	(10,986)	(11,379)
Carrying amount at end	42,115	53,101
Total written down amount	50,538	63,722

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Trade creditors and other payables

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

a) Current liabilities

	2020	2019
	\$	\$
Trade creditors	164,922	175,172
Interest due to pledge holders	17,500	17,238
Other creditors and accruals	54,472	22,789
	236,894	215,199

b) Reconciliation of carrying amounts

	2020	2019
	\$	\$
Other creditors and accruals	29,650	44,475
	29,650	44,475

Note 17. Loans and borrowings

a) Non-current liabilities

	2020	2019
	\$	\$
Secured bank loans	6	6
	6	6

b) Terms and repayment schedule

	Nominal interest rate	Year maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	3.4%	Floating	6	6	6	6

Maldon & District Financial Services Limited has paid down a 15-year bank loan used to pay for the construction of the branch building in 2013 but maintains a small balance to enable ready access to cash if required. At 30 June 2020 funds available for redraw is \$189,869. The loan is secured by a fixed and floating charge over the company's assets.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Lease liabilities

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

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

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

Lease portfolio

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

The company's lease portfolio includes:

- Administration Office

The lease agreement is a non-cancellable lease with an initial term of three years which commenced in October 2019. The lease has two further three-year extension options available. The company is reasonably certain to exercise these terms.

- Dunolly Rural Transaction Centre (RTC)

The lease agreement is a non-cancellable lease with an initial term of three years which commenced in July 2018. The lease has a further two-year extension option available. The company is reasonably certain to exercise this term.

- Newstead Rural Transaction Centre (RTC)

The lease agreement is a non-cancellable lease with an initial term of three years which commenced in July 2018. The lease has a further two-year extension option available. The company is reasonably certain to exercise this 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.

a) Lease liability measurement

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

	Note	2020 \$	2019 \$
Lease liabilities on transition			
Initial recognition on AASB 16 transition	3d)	108,179	-
Lease payments - interest		4,619	-
Lease payments		(30,457)	-
		82,341	-

b) Current lease liabilities

	2020 \$	2019 \$
Property lease liabilities	30,458	-
Unexpired interest	(3,354)	-
	27,104	-

c) Non-current lease liabilities

	2020 \$	2019 \$
Property lease liabilities	57,963	-
Unexpired interest	(2,726)	-
	55,237	-

d) Maturity analysis

	2020 \$	2019 \$
- Not later than 12 months	30,458	-
- Between 12 months and 5 years	57,963	-
Total undiscounted lease payments	88,421	-
Unexpired interest	(6,080)	-
Present value of lease liabilities	82,341	-

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Lease liabilities (continued)

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 \$1,619.

	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	30,457	(30,457)	-
- Depreciation and amortisation expense	-	27,755	27,755
- Finance costs	-	4,934	4,934
Increase in expenses - before tax	30,457	2,232	32,689
- Income tax expense / (credit) - current	(8,376)	8,376	-
- Income tax expense / (credit) - deferred	-	(8,989)	(8,989)
Increase in expenses - after tax	22,081	1,619	23,700

Note 19. Provisions

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

a) Non-current liabilities

	2020 \$	2019 \$
Make-good on leased premises	6,737	-
	6,737	-

b) Make good provision

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term. The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

Provision	Note	2020 \$	2019 \$
Face-value of make-good costs recognised	3d)	7,775	-
Present value discounting	3d)	(1,353)	-
		6,737	-

c) Change in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts. The branch premises leases are due to expire on the below dates at which time the expected face-value costs to restore the premises will fall due:

- Administration Office: 30 September 2028
- Dunolly Branch (Rural Transaction Centre): 30 June 2023
- Newstead Branch (Rural Transaction Centre): 30 June 2023

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Employee benefits

a) Current liabilities

	2020	2019
	\$	\$
Provision for annual leave	25,090	26,079
Provision for long service leave	24,544	22,305
	49,634	48,384

b) Non-current liabilities

	2020	2019
	\$	\$
Provision for long service leave	5,742	16,631
	5,742	16,631

c) Key judgements and assumptions

Employee attrition rates

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

Note 21. Member funds

In accordance with the Association's Memorandum and Articles of Association, Maldon & District Financial Services Limited is limited by guarantee and does not have share capital. Each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the Company.

As at 30 June 2020 the number of members was 163 (2019: 161).

Note 22. Retained earnings

	2020	2019
Note	\$	\$
Balance at beginning of reporting period	740,038	727,921
Adjustment for transition to AASB 16	3d) (5,821)	-
Net profit after tax from ordinary activities	62,803	12,117
Balance at end of reporting period	797,020	740,038

Note 23. Reconciliation of cash flows from operating activities

	2020	2019
	\$	\$
Net profit after tax from ordinary activities	62,803	12,117
Adjustments for:		
- Depreciation	49,257	20,436
- Amortisation	13,184	13,616
- decrease in member reserve	-	(2,431)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(40,603)	(23,660)
- Increase/(decrease) in trade and other payables	19,016	55,154
- Increase/(decrease) in employee benefits	(9,640)	5,160
- Increase/(decrease) in provisions	314	-
Net cash flows provided by operating activities	94,331	80,392

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. 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	12	138,215	96,188
Cash and cash equivalents	11	223,503	175,235
		<u>361,718</u>	<u>271,423</u>
Financial liabilities			
Trade and other payables	16	164,922	175,172
Secured bank loans	17	6	6
Lease liabilities	18	82,341	-
		<u>247,269</u>	<u>175,178</u>

Note 25. Auditor's remuneration

	2020 \$	2019 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	2,900	2,800
	<u>2,900</u>	<u>2,800</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	400	400
- General advisory services	1,100	3,530
	<u>1,500</u>	<u>3,930</u>
Total auditor's remuneration	<u>4,400</u>	<u>6,730</u>

Note 26. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Ross Arthur Egleton
 Karly Brenda Smith
 Kerry Margaret Healy
 Katherine 'Katie' Louise Finlay
 Kirsty Sue Mackay
 Janet Mary Purcell
 Jane Louise Goodrich
 Katie Lee McEachran
 Maheswari 'Mahesh' Kandasamy

b) 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 \$
<i>Transactions with related parties</i>		
- Karly Smith has provided executive officer services to the Company as approved by the board at a fixed rate. The total benefit received was:	53,067	47,063
Total transactions with related parties	<u>53,067</u>	<u>47,063</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Key management personnel disclosures

Remuneration report

This Report discloses the basis of the remuneration paid by Maldon & District Financial Services Limited to:

- (a) Key Management Personnel (KMP): at Maldon & District Financial Services Limited this is the Branch Manager
- (b) Directors: all of whom are non-executive directors

KMP Remuneration Policy

The remuneration policy of the company is to enter into an employment agreement with key management personnel.

The agreement includes:

- a base salary: based on factors such as length of service and experience
- superannuation: required by the government, which is currently 9.5%. KMP do not receive any other retirement benefits. KMP have the choice to sacrifice part of their salary to increase payments towards superannuation.
- a performance incentive: the performance incentive is a bonus (refer to section on performance-based remuneration below).

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

The Board believes this KMP remuneration policy of Maldon & District Financial Services Limited:

- has been designed to align key management personnel objectives
- is appropriate and effective in its ability to attract and retain the best key management personnel to run the business and manage the company
- aligns the goals of directors, key management personnel and members

Non-executive director remuneration policy

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

The Board's policy is to remunerate non-executive directors a nominal amount as a substitute for the reimbursement by the company of ordinary expenses. Ordinary expenses include applicable travel and home office costs. The Chairman and Treasurer are paid more than other directors on the basis that their ordinary expenses will be higher due to the greater time commitment.

The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on duties and accountability. The Board believe that current payments are below market rates for time and responsibility.

The maximum aggregate amount of fees that can be paid to non-executive Directors requires approval by members as required by the Corporations Act 2001.

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

Performance based remuneration

Performance based remuneration is paid to Key Management Personnel. The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and member wealth, before the KPIs are set for the following year.

The Company does not pay performance-based remuneration to any Director. The Executive Officer receives a performance-based remuneration component.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to align the goals of members, directors and key management personnel. Performance-based bonus is based on key performance indicators as disclosed above.

Company performance, member wealth and directors' and KMP' remuneration

The Board is of the opinion that revenue and profit will continue to grow due to the introduction of the previously described remuneration policy.

	2020	2019
Key management personnel compensation comprised the	\$	\$
Short-term employee benefits	33,456	33,442
Post-employment benefits	3,150	3,028
	36,606	36,470

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. 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 18).

	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	-	27,833
- between 12 months and 5 years	-	28,730
Minimum lease payments payable	-	56,563

b) Other commitments

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

Note 29. Contingencies

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

Note 30. Subsequent events

Subsequent to the end of the financial year, the company was notified of a potential breach of its responsible lending policy following a complaint raised by one of its customers. The claim is between \$200,001 to \$500,000 and is currently under investigation by the Australian Financial Complaints Authority (AFCA). The company's insurers have been notified of the complaint as a circumstance notification at this stage.

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

Notes to the Financial Statements

In accordance with a resolution of the directors of Maldon & District 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:
1. 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
 2. 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.



Ross Arthur Egleton

Chair

Dated this 2nd day of October 2020

Independent auditor's report



Independent auditor's report to the members of Maldon & District Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Maldon & District 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

Maldon & District 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 *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

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

Independent auditor's report



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: 2 October 2020

Joshua Griffin
Lead Auditor

MDFSL Registered Office

93 High Street
Maldon VIC 3463
0478 435 110
executiveofficer@mdcb.com.au

Maldon Branch

81 High Street
Maldon VIC 3463
03 5475 1747
maldonmailbox@bendigoadelaide.com.au

Dunolly Branch

Dunolly RTC, 109 Broadway
Dunolly VIC 3472
03 5468 1596

Newstead Branch

Newstead RTC, 45 Lyons Street
Newstead VIC 3462
03 5476 2014