

Annual Report 2019

Albany (W.A.) Community
Financial Services Limited

Albany Community Bank Branch

ABN 77 119 012 510



Contents

Chair's Report	3
Branch Manager's Report.....	5
Bendigo Bank Report.....	6
Dividend Payment List.....	7
Sponsorship and Contributions.....	7
Community Investment Balance Sheet.....	8
Community Impact Report.....	9
Director's Report.....	10
Auditor's Independent Declaration.....	16
Financial Statements.....	17
Notes to the Financial Statements.....	21
Director's Declaration.....	42
Independent Audit Report.....	43

Chair's Report

Dear Shareholders,

Despite another challenging year for both financial services and our economy, the Albany Community Bank Branch are pleased to report continued growth in our overall book value from \$129M to \$135M for the 2018/2019 financial year. We remain positive with business growth for the third financial year in a row.

Our directors remain committed to the growth and development of the company and its Branch. We are a stable and strong Board that have developed and grown as a team. Whilst remaining focused on growth we have been innovative and strategic to deliver new community funding programs to both support our community and have the capacity to build business.

I would like to take the opportunity to express my enormous thanks to my fellow directors for their time, effort and commitment in their volunteer roles. As a Board we do remain commercially focused but also community spirited. There is a balance in meeting both shareholder and community expectations which is an ongoing challenge.

I would also like to express my gratitude to Lyn Lutley our Administration and Community Engagement Officer who continues to work in her role to support the Board ensuring good governance and building relationships with the community.

Jason Krein resigned from the Branch Manager position in November 2018. Jason had indicated he was keen to grow a career in commercial lending. The Board would like to thank Jason for his time at the Albany Community Bank Branch and wish Jason well in his future endeavours.

With change comes opportunity thus enabling the Board to reassess the direction and development of the Branch staff team and how we may drive business growth.

The Board welcomed Natasha Thompson into the role of Branch Manager in January this year. Natasha has provided a new energy to both the Board and Branch staff team. The Albany Community Bank Branch strives to build its business, enhance its partnerships and grow investments through excellence in banking, customer service and sound business management. Natasha brings a wealth of knowledge and skills that support this direction.

The Branch Staff and Board continue to work effectively together. This collaboration has been essential in driving growth and we look forward to continued success as we move into the next financial year. With Natasha's leadership of the Branch team we have welcomed growth of our Branch staff team members and capacity to write more business. It is looking positive for the coming financial year.

The Board remain pleased with our continued performance to date but recognise we still have some work to do. Last financial year growth targets were not met. Auditors do not yet endorse a dividend payment for this financial year. Continued growth is essential to deliver a return to our Shareholders. Our capacity to pay a dividend and support our community remains directly related to our business growth. I believe we are on the right path. The Board is stable, and our direction is clear. Payment of a dividend to our shareholders remains a key priority for us but sound business management is essential to ensure our ongoing success and therefore will only occur as a recommendation from the auditors.

There is no silver bullet and we all have a role to play in building business to ensure the growth we are all aiming for. What role will you play in our success? As a Shareholder of the Community bank are you a champion for the Community Bank model? Do you bank with Albany Community Bank Branch? If you are not banking with the Albany Community Bank Branch, I would encourage you to contact our Branch Manager, Natasha Thompson, to talk to you about how we may support you and your banking needs.

I would like to take this opportunity to thank you our shareholders and our customers for their ongoing support. The Community Bank model is unique and has the capacity to make an enormous difference to our community and a return on your investment if we all work together.



Sarah Bowles

Chair

Albany (WA) Community Financial Services Limited

Albany Community Bank branch of Bendigo Bank



Our Branch Team: Lupo, Emily, Danielle, Natasha, Marg and Paul.

Branch Managers Report

Varied results for the 2019 financial year have delivered some big impacts to our business with the Banking Royal Commission results, staff changes including my arrival in late January as the Branch Manager. The Branch Manager role was left vacant from October 2018 whilst the Boards vision for the future enabled the right placement. With all this happening Albany Community Bank Branch still delivered a very strong result that shows the changes made only strengthened the Branch's position.

Our success story would have to go to our amazing team, Customer Relationship Manager, Margaret Broad, Senior Customer Service Officer, Paul Harness, Customer Service Officers, Danielle Krispyn, Alberto (Lupo) Pavanello, Ashlee Pinner and Emily Sanderson. The team has worked tirelessly to deliver strong customer service standards in a time with no direct leadership, taking ownership to go above and beyond expectation ensuring success for our customers and the community. Since January I have seen the team grow with passion and extreme determination to strive to be Albany's Bank of choice. There has been a strong focus on developing skills and knowledge across a broad area of products and services offered in order to provide the quality customer service this community deserves. I would like to thank you all for your patience past and present in our journey to truly deliver on this promise.

With the pilot program of "Get in the Game" community sponsorship for our Sport and Recreation Clubs and organisations for the new financial year that will enable us to reach out to even more community groups and people Albany Community Bank Branch has now added an additional category to the Community Grant program "10,000 Reasons to Bank Bendigo" which had a successful first year.

This year we are working towards even more growth within our business enabling us to return a dividend to you our shareholders. This will be achieved through our continued marketing plan, community engagement and support by you, but we cannot do it alone.

You the shareholders have shared with us on this great journey so far and your support to date has been invaluable and with this I ask of you to assist us on the next phase of our journey by bringing new business into our Branch. Our model is very simple – The more customers who bank with Albany Community Bank, the more our profits increase, Community contributions increase and with that we will be able to deliver a much-anticipated dividend. Whether you are involved in a community group, have business acquaintances or family and friends, I ask that you keep us front of mind. I pose a question to you... How many financial products do you have, and how many of those are with us?

I would like to acknowledge and thank the backbone to the Branch, the Directors of the Albany Community Bank Branch Board. Under the passionate, devoted leadership of Sarah Bowles they have established a strong strategic plan in business and community engagement, their business expertise and tireless hours devoted to Albany Community Bank Branch has been a key contribution to the success of the business now and into a very successful future. A special mention to Administrator Lyn Lutley who is the glue between the Board and Branch, her assistance and support is invaluable to every member of the team. 2019 has also seen us build on our already close working relationship with Bendigo Bank support staff.

Lastly our biggest advocates, the customers who entrust us with their banking, I know that with their continued support and loyalty, their bank, our bank - Albany Community Bank Branch will go from strength to strength seeing our vision of being Albany's bank of choice a reality in the near future.

Natasha Thompson
Branch Manager
Albany (WA) Community Financial Services Limited
Albany Community Bank Branch of Bendigo Bank

Bendigo Report

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local board of directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Dividend Payment History

Dividend to shareholders			
Financial Year	Amount Per Share	Franking Level*	Date Paid
2018/2019	-	-	-
2017/2018	-	-	-
2016/2017	-	-	-
2015/2016	-	-	-

Report of Sponsorships & Contributions

Financial Year	Community Contribution
2018/2019	\$48,149
2017/2018	\$45,830
2016/2017	\$ 25,845
2015/2016	\$ 23,616

2019 Albany Community Grant Recipients		
Organisation	Grant	Event/Purpose
Albany Community Legal Centre	\$3,500	All Abilities Festival
Denmark Arts Council	\$6,500	Festival of Voice
Albany Animal Welfare	\$8,000	Op Shop Enterprise
Vintage Sports Car Club of WA	\$4,000	Albany Classic Motor Event
Great Southern Roller Tag	\$2,650	Equipment
AGAL	\$7,000	Albany Pride Events
KBC	\$3,278	On line e-learning volunteer hub
Greenskills	\$5,000	Great Southern Sustainable Community Festival
St John Ambulance	\$1,950	Defibrillator to external wall of Branch
Zero2hero	\$750	Participant in Camp Hero
Artsouth	\$3,900	Regional Sponsorship Art Trail

Community Investment Balance Sheet

2018/19

Albany (WA) Community Financial Services Limited



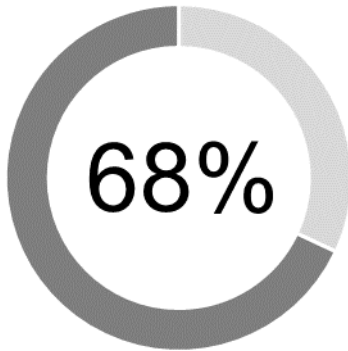
Projects Funded **29**



Community Project Investment **\$51,129.02**

Biggest Impact Area:

Arts, Culture & Heritage



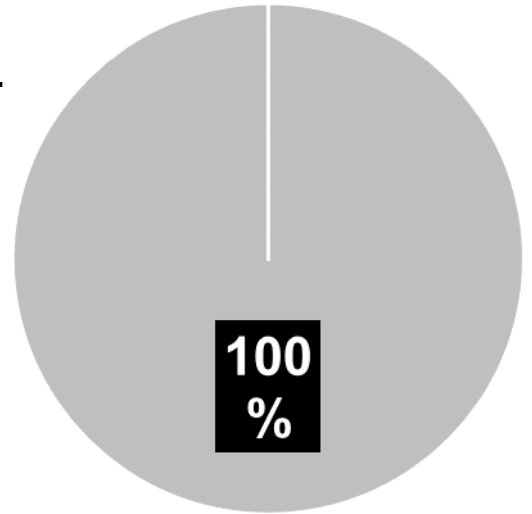
This chart (above) demonstrates the highest percentage of funds distributed across the three themes, into a particular sector; the sector with the largest portion of contributions.

- Donations
- Grant
- Sponsorships

Total Investment by Theme:

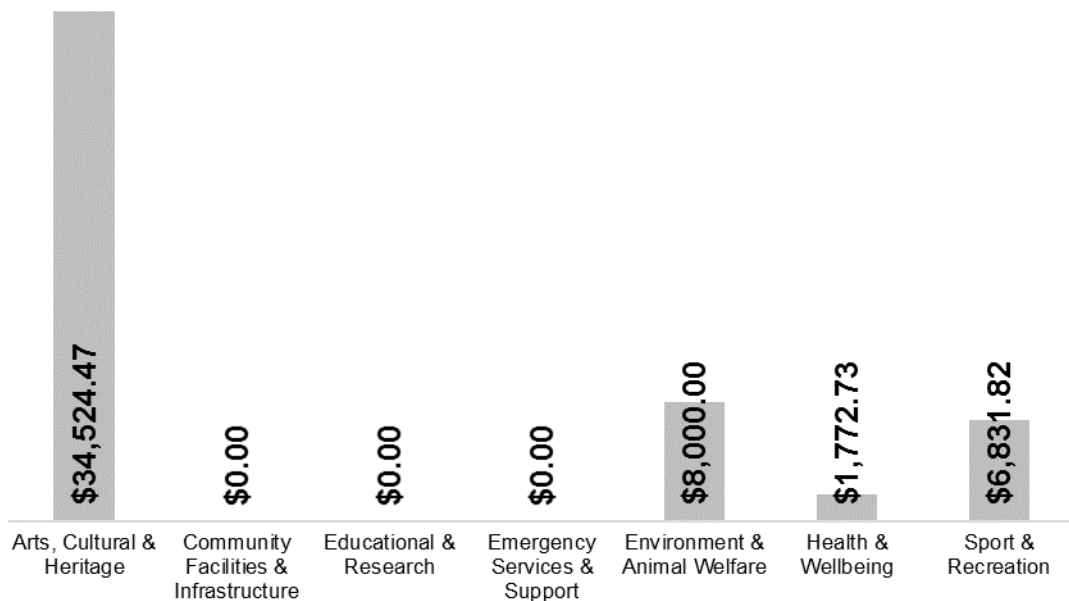
Sponsorships \$51,129.02

This chart (right) displays the percentages of funds distributed across the three themes, (Donations, Grants and Sponsorships).



Total Investment by Sector:

This graph (right) showcases the total contributions by theme, broken down by sector to highlight overall investment.



Community Impact Report

OUR VISION

Building business to invest back into the local community.

OBJECTIVE

Albany Community Financial Services Limited are looking to develop strong partnerships and deliver sponsorship into the Albany community and introduced the pilot of “10,000 Reasons to Bank Bendigo” program.

10,000 Reasons to Bank Bendigo turns banking locally into investment into our community and region. Organisations can apply for up to \$10,000 to support their projects which will benefit the community.

SPONSORSHIP

Albany Community Bank Branch consider sponsorship to be a partnership whereby funding is provided to an individual, organisation, club or activity that benefits both the local community and provides exposure and opportunities for the Albany Community Bank Branch to directly benefit the local community and build business. Remembering our Vision is “Building Business to invest back into the local community”.

BACKGROUND

The Albany Community Bank Branch are proud to support our community through our community funding programs. We love the idea that local people own the Albany Community Bank Branch and that by banking at your local Bendigo Bank Branch, you help build profits which are then re-invested directly back into our community. Decisions about where profits are spent are made at the grass roots level by the local Albany Community Bank Branch Board. The amount of investment into the community directly relates to the amount of business and the level of support the local Community Bank has.

In our Community Impact Report we would like to showcase just a few of the recipients of the “10,000 Reasons to Bank Bendigo” program.

All Abilities Festival

The All Abilities Festival held in the town square attracted the whole community providing a safe, friendly and accepting environment for people with disability. Many locals showcased their talents reciting poetry, singing and dancing supported by volunteers and staff from multiple agencies and organisations.



Director, Johanna, with Nathan at the All Abilities Festival.

Albany Classic Motor Event – Around the Houses

The Albany Classic is a Community event held annually since 1991 on the WA Day weekend, using a day of Historic Regularity Motor-racing as a centre piece attraction. The event is located within the confines of the temporary race circuit constructed about the Albany CBD overnight Saturday and put away overnight Sunday, comprises car displays, entertainment and side-show type attractions for the whole family, food, refreshment and craft stalls, historic memorabilia displays, competitions, demonstrations and staged band music. This Sunday event is supported by an historic re-enactment Hillclimb on Mt Clarence. Alongside the motorsports activities and displays is the Bendigo Bank Festival, providing music, entertainment and activities plus a variety of market stalls. The entire weekend is jointly organized by the Albany Organising Committee (AOC) and the Vintage Sports Car Club of WA (VSCCWA) and run by about 250 volunteers, mostly from the Albany region with assistance from VSCCWA and other volunteers from Perth. The event also provides to community organisations in the City of Albany the opportunity to generate funds for use in other community initiatives. It attracts families from Albany and other areas of the Great Southern Region, Perth and other areas of WA, as well as visitors from other Australian States and overseas. The event and its promotion showcase Albany, the Amazing South Coast and the Great Southern Region as a tourism and/or holiday destination of merit.

Chair, Sarah with the winning Albany Classic committee.

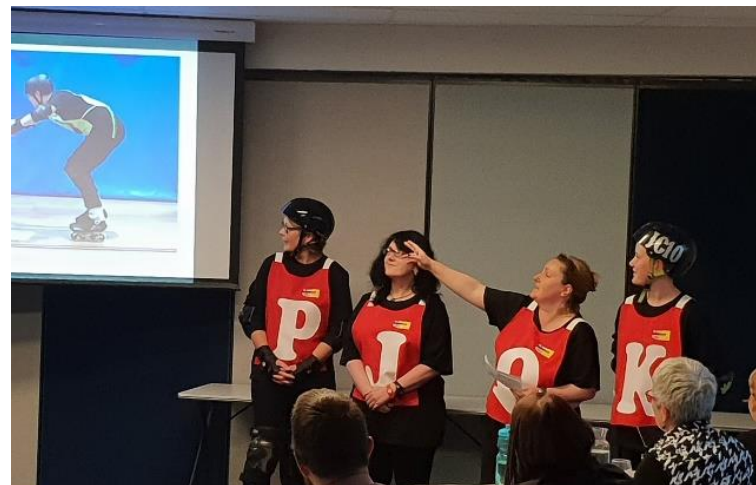


Great Southern Roller Tag

Great Southern Roller Tag purchased an electronic score Board, new skates and safety equipment and were able to advertise the club to raise the awareness to grow its membership base. Great Southern Roller Tag is a locally community run and created Roller Sport for all the family and includes all ages.



Roller tag in action.



Great Southern Roller Tag at their Pitch night.

Directors' Report

For year ending 30 June 2019

The Directors present their report of the company for the financial year ended 30 June 2019.

The following persons were Directors of Albany (WA) Community Financial Services Ltd during or since the end of the financial year up to the date of this report:

Directors

Sarah Bowles



Chairperson

Occupation: Self-employed

Qualifications, experience and expertise: Certificate 4 in Project Management, Bachelor of Nursing, Midwifery and Foundation Four Pty Ltd Director (2017-current). Local Government Representative (2011-2015), Little Grove Primary School P & C Executive, Founder and Secretary of Great Southern Factor Inc (2008- 2016), Chair of the Great Southern Food Network (2015-2016), Sponsorship Officer and currently President of the Albany Surf Life Saving Club.

Special responsibilities: Chairperson, Regional representative for Joint Regional Community Bank Branches, Sponsorship and Community Engagement. Sarah has now served on the Albany (W.A.) Community Financial Services Ltd Board since February 2016 and took up the role as Chair in November 2016.

Interest in shares: 2,500

Michael Clutterham

No Photo available

Company Secretary – Resigned November 2018

Occupation: State Community Strengthening Manager SA/NT of Bendigo Bank Ltd

Qualifications, experience and expertise: Mike has worked in the Banking industry for 43 years, 27 with Wales/ Westpac and 16 with Bendigo. His last two roles with Bendigo were State Community Strengthening Manager SA/ NT. This role was responsible amongst other items, Director Education, assisting Community Bank Branches and communities leverage matched funding from all levels of government. Prior to the above role Mike was the Regional Manager for SA/NT and was one of the driving forces behind the establishment of 14 Community Bank Branches.

Special responsibilities: Company Secretary

Interest in shares: Nil

Danielle Branson



Company Treasurer

Occupation: Self-employed

Qualifications, experience and expertise: Danielle has an Advance Diploma of Accounting from South Regional TAFE. Currently she volunteers as an ambulance officer for St John Ambulance and is a member for the Volunteer Leadership Group. Her previous experience includes: Treasurer for Rainbow Coast Neighbourhood Centre and Treasurer for Proudies Foundation Inc.

Special responsibilities: Company Treasurer

Interest in shares: Nil

Leon Delpech

No Photo available

Director

Occupation: Managing Director

Qualifications, experience and expertise: Current: Delpech – Managing Director, Past: CEO of Useful Inc Community, I Start-up Board advisor ,IBM Australian Strategy Consultant, Community Groups: Wilson Inlet Catchment Committee, Wine Show of Western Australia Bachelors of Commence (Economics and Finance) and Communications (Film and Television).

Special responsibilities: Marketing.

Interest in shares: Nil

Johanna Tomlinson



Company Secretary – Appointed November 2018

Occupation: Consultant and Farmer

Qualifications, experience and expertise: Johanna has a Bachelor of Environmental Science degree from Murdoch University. She has almost 20 years of hands on experience in agriculture, natural resource management and business management and was recently awarded a 2019 Nuffield Australia scholarship. She is passionate about regional community and the businesses that support them, the environment and in collaborating with likeminded professionals working and living in rural Australia. Together with her husband and their staff, Johanna’s operates a broadacre farming operations in the Shire of Jerramungup and the City of Albany, where the family are based. In 2015 Johanna started her project management business, Clear South. Johanna and her teamwork with their loyal client base to provide a range of services, including project development and management, group and small business executive assistance and coordination, administration, facilitation, writing, investment attraction and event coordination and management.

Special responsibilities: Strategic planning, the agricultural portfolio and shareholder relations.

Interest in shares: 2,000

Graham Foster

No Photo Available

Director

Occupation: Retired

Qualifications, experience and expertise: Graham has worked in Local Government for 35 years with six years as the CEO of the City of Nedlands and Acting CEO for the City of Albany.

Special responsibilities:

Interest in shares: 500

Simon Lyas



Director

Occupation: Director at Regional Development Australia Great Southern WA Inc

Qualifications, experience and expertise: Simon moved to Denmark in 2009. He is responsible for day to day operations, contributes to Strategic Planning and is actively driving economic development initiatives with a range of stakeholders in the region. Simon’s previous experience includes project management with various government agencies and business management experience in several tourism-based operations in Australia and overseas. Simon is a strong community advocate and volunteer on a number of community organisations in Albany.

Special responsibilities:

Interest in shares: Nil

Board Administrator and Community Engagement Officer

Lyn Lutley



Qualifications, experience and expertise: A lifetime of administration positions including Health, Law, Insurance and Community organisations.

Special responsibilities: Assisting Albany Community Bank Board Directors with the Company Governance and engaging with the local Community to build partnerships and acquittal of community grants.

Directors' Meetings

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

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Sarah Bowles	10	10
Michael Clutterham	4	4
Leon Delpech	10	8
Johanna Tomlinson	10	8
Danielle Branson	10	10
Graham Foster	10	6
Simon Lyas	10	9

Key:

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Directors' Report *(Continued)*

Company Secretary

Johanna Tomlinson is the Company Secretary Albany (WA) Community Financial Services Ltd.

Principal Activities

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

Review of operations

The profit of the company for the financial year after provision for income tax was \$61,992, (2018: \$58,536), which is a 15% decrease compared with the previous year. The net assets of the company have increased to \$297,026.

Dividends

There were no dividends paid or declared since the start of the financial year.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability incurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 43 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Albany on 24 September 2019.



Sarah Bowles
Chair
Albany (WA) Community Financial Services Limited
Albany Community Bank branch of Bendigo Bank

19th August 2019

The Board of Directors
Albany (WA) Community Financial Services Ltd
PO Box 979
ALBANY WA 6331

Dear Directors

**AUDITOR'S INDEPENDENCE DECLARATION
AS REQUIRED BY SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead Auditor for the audit of Albany (WA) Community Financial Services Ltd for the year ended 30 June 2019, I declare to the best of my knowledge and belief, that there have been:

- a) no contraventions of the Auditor independence requirements of the Corporations Act 2001, in the relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This Declaration is made in respect of Albany (WA) Community Financial Services Ltd during the period of the audit.



Paul Gilbert, FCPA MBA Director
Macleod Corporation Pty Ltd



**MACLEOD
CORPORATION PTY LTD.**

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LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION

CERTIFIED PRACTISING ACCOUNTANTS



Financial Statements

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

	Note	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Revenue	2	895,335	809,787
Expenses			
Employee benefits expense	3	(500,709)	(443,225)
Administration and general costs		(115,882)	(105,245)
Bad and doubtful debts expense	3	(3,304)	(776)
Occupancy expenses		(74,467)	(87,333)
System Costs		(20,978)	(18,867)
Depreciation and amortisation expense	3	(16,115)	(14,889)
Finance costs	3	(1,408)	(3,464)
Other expenses		(28,816)	(9,368)
		<u>(761,680)</u>	<u>(683,167)</u>
Profit / (loss) before charitable donations & sponsorships		133,655	126,620
Charitable donations and sponsorship		(48,149)	(45,830)
Profit / (loss) before income tax		85,506	80,790
Income tax expense / (benefit)	4	(23,514)	(22,254)
Profit / (loss) for the period		61,992	58,536
Other comprehensive income		-	-
Total comprehensive income for the period		61,992	58,536
Profit / (loss) attributable to members of the company		61,992	58,536
Total comprehensive income attributable to members of the company		61,992	58,536
Earnings per share (cents per share)			
- basic earnings per share	16	7.25	6.84

Financial Statements

Statement of Financial Position for the year ended 30 June 2019

	<u>Note</u>	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	25,067	1,779
Trade and other receivables	6	67,918	93,390
Other assets	7	4,840	6,453
Total current assets		97,825	101,622
Non-current assets			
Property, plant and equipment	8	40,491	8,780
Intangible assets	9	27,112	40,669
Deferred tax assets	4	221,461	266,008
Total non-current assets		289,064	315,457
Total assets		386,890	417,079
LIABILITIES			
Current liabilities			
Trade and other payables	10	38,221	114,819
Borrowings	11	30,393	62,723
Provisions	12	19,779	19,226
Total current liabilities		88,392	196,768
Non-current liabilities			
Provisions	12	1,472	3,010
Total non-current liabilities		1,472	3,010
Total liabilities		89,864	199,778
Net assets		297,026	217,301
Equity			
Issued capital	13	854,557	854,557
Retained earnings / Accumulated losses	14	(557,531)	(637,256)
Total equity		297,026	217,301

Financial Statements

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

	Note	Issued Capital \$	Retained earnings / Accumulated losses \$	Reserves \$	Total Equity \$
Balance at 1 July 2017		854,557	(695,792)	-	158,765
Total comprehensive income for the period		-	58,536	-	58,536
<i>Transactions with owners in their capacity as owners:</i>					
Dividends recognised for the period	5	-	-	-	-
Balance at 30 June 2018		854,557	(619,523)	-	235,034
Balance at 1 July 2018		854,557	(619,523)	-	235,034
Total comprehensive income for the period		-	61,992	-	61,992
<i>Transactions with owners in their capacity as owners:</i>					
Dividends recognised for the period	5	-	-	-	-
Balance at 30 June 2019		854,557	(557,531)	-	297,026

Financial Statements

Statement of Cash flow for the year ended 30 June 2018

		Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Cash flows from operating activities			
Receipts from customers		920,807	786,877
Payments to suppliers and employees		(814,322)	(673,088)
Interest paid		(3,042)	(3,464)
Income tax paid		-	-
		<hr/>	<hr/>
Net cash flows from / (used in) operating activities	17b	103,444	110,325
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(34,270)	(6,343)
Purchase of intangible assets		(13,556)	(13,556)
Purchase of investments		-	-
		<hr/>	<hr/>
Net cash flows from / (used in) investing activities		(47,826)	(19,899)
Cash flows from financing activities			
Proceeds from borrowings		42,278	-
Repayment of borrowings		(11,885)	-
		<hr/>	<hr/>
Net cash flows from / (used in) financing activities		30,393	-
		<hr/>	<hr/>
Net increase / (decrease) in cash held		86,011	90,426
Cash and cash equivalents at beginning of period		(60,944)	(151,370)
Cash and cash equivalents at end of period	17a	25,067	(60,944)
		<hr/> <hr/>	<hr/> <hr/>
*Cash and Cash equivalents is made up of:			
Cash at Bank		1,189	1,779
Cheque Account/(Bank Overdraft)		23,877	(62,723)
		<hr/>	<hr/>
		25,067	(60,944)
		<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

These financial statements and notes represent those of Albany (WA) Community Financial Services Limited.

Albany (WA) Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 24 September 2019.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank** branch at 3/78-82 Lockyer Avenue, Albany.

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

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

Notes to the financial statements

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank** branch;
- Training for the Branch Managers 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; and
- Sale techniques and proper customer relations.

(b) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(e) Comparative figures

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

Notes to the financial statements

1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(g) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

Notes to the financial statements

1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods (continued)

(i) AASB 15: *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 16: *Leases* (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

Notes to the financial statements

2. Revenue

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

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

All revenue is stated net of the amount of goods and services tax (GST).

	2019	2018
	\$	\$
Revenue		
- service commissions	895,335	809,787
	<u>895,335</u>	<u>809,787</u>
Other revenue		
- interest received	-	-
- other revenue	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total revenue	<u>895,335</u>	<u>809,787</u>

3. Expenses

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Depreciation

The depreciable amount of all fixed assets is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

<u><i>Class of asset</i></u>	<u><i>Rate</i></u>	<u><i>Method</i></u>
Leasehold improvements	20%	SL
Plant and equipment	20 - 100%	SL

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Notes to the financial statements

3. Expenses (continued)

	2019	2018
	\$	\$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	419,108	382,921
- superannuation costs	37,243	34,723
- other costs	44,358	25,581
	<u>500,709</u>	<u>443,225</u>
Depreciation and amortisation		
<i>Depreciation</i>		
- plant and equipment	2,559	1,333
- leasehold improvements	-	-
	<u>1,333</u>	<u>1,333</u>
Amortisation		
- franchise fees	13,556	13,556
	<u>16,115</u>	<u>14,889</u>
Total depreciation and amortisation		
Finance costs		
- Interest paid	1,408	3,464
Bad and doubtful debts expenses	3,304	776
(Gain) / Loss on disposal of property, plant and equipment	-	-
Auditors' remuneration		
<i>Remuneration of the Auditor for:</i>		
- Audit or review of the financial report	4,800	7,800
- Taxation services	-	-
- Share registry services	-	-
	<u>4,800</u>	<u>7,800</u>

Notes to the financial statements

4. Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense. Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

	2019	2018
	\$	\$
a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	-	-
Deferred tax expense / (income) relating	1,361	600
Recoupment of prior year tax losses	22,153	21,654
Under / (over) provision of prior years	-	-
	<u>23,514</u>	<u>22,254</u>
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 27.5% (2017: 27.5%)	23,514	22,217
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	(22,153)	(21,691)
- Under / (over) provision of prior years	(1,361)	(562)
- Non-deductible expenses	-	36
Income tax attributable to the entity	<u>-</u>	<u>-</u>
The applicable weighted average effective tax rate is	27.5%	27.5%
c. Current tax liability		
Current tax relates to the following:		
<i>Current tax liabilities / (assets)</i>		
Opening balance	-	-
Income tax paid	-	-
Current tax	-	-
Under / (over) provision prior years	-	-
	<u>-</u>	<u>-</u>

Notes to the financial statements

4. Income tax (continued)

	2019	2018
	\$	\$
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	725	1,586
Employee provisions	5,845	6,115
Unused tax losses	238,567	260,721
	<u>245,137</u>	<u>268,422</u>
Deferred tax liabilities balance comprises:		
Plant & equipment	2,642	2,414
	<u>2,642</u>	<u>2,414</u>
Net deferred tax asset / (liability)	<u>242,495</u>	<u>266,008</u>
Total carried forward tax losses not recognised as deferred tax assets	-	-
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	23,514	22,254
(Decrease) / increase in deferred tax liabilities	-	-
Under / (over) provision prior years	-	-
	<u>23,514</u>	<u>22,254</u>

5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

	2019	2018
	\$	\$
Cash at bank and on hand	25,607	1,779
Short-term bank deposits	-	-
	<u>25,607</u>	<u>1,779</u>

Notes to the financial statements

6. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

	2019 \$	2018 \$
Current		
Trade receivables	67,918	93,390
Other receivables	-	-
	<u>67,918</u>	<u>93,390</u>

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount \$	Not past due \$	Past due but not impaired			Past due and impaired \$
			< 30 days \$	31-60 days \$	> 60 days \$	
2019						
Trade receivables	67,918	67,918	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	<u>67,918</u>	<u>67,918</u>	-	-	-	-
2018						
Trade receivables	93,390	93,390	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	<u>93,390</u>	<u>93,390</u>	-	-	-	-

Notes to the financial statements

7. Other assets

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

	2019	2018
	\$	\$
Prepayments	4,840	6,453
Other	-	-
	<u>4,840</u>	<u>6,453</u>

8. Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

8. Plant and equipment

	2019	2018
	\$	\$
<i>Leasehold improvements</i>		
At cost	249,678	249,678
Less accumulated depreciation	<u>(249,678)</u>	<u>(249,678)</u>
	-	-
<i>Plant and equipment</i>		
At cost	60,062	19,094
Less accumulated depreciation	<u>(19,571)</u>	<u>(10,314)</u>
	40,491	8,780
Total plant and equipment	<u>40,491</u>	<u>8,780</u>

Notes to the financial statements

8. Plant and equipment (continued)

Movements in carrying amounts

Leasehold improvements

Balance at the beginning of the reporting period	-	-
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Balance at the end of the reporting period	-	-

Plant and equipment

Balance at the beginning of the reporting period	8,770	3,770
Additions		6,334
Disposals	40,979	-
Depreciation expense	(9,258)	(1,324)
Balance at the end of the reporting period	40,491	8,770

Total plant and equipment

Balance at the beginning of the reporting period	8,770	3,770
Additions	40,979	6,334
Disposals	-	-
Depreciation expense	(9,258)	(1,324)
Balance at the end of the reporting period	40,491	8,780

9. Intangible assets

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

	2019	2018
	\$	\$
<i>Franchise fee</i>		
At cost	67,781	67,781
Less accumulated amortisation	(40,669)	(27,112)
	27,112	40,669
Total intangible assets	27,112	40,669

Movements in carrying amounts

	2019	2018
	\$	\$
<i>Franchise fee</i>		
Balance at the beginning of the reporting period	40,669	54,225
Additions	-	-
Disposals	-	-
Amortisation expense	(13,556)	(13,556)
Balance at the end of the reporting period	27,112	40,669

Notes to the financial statements

9. Intangible assets (continued)

	2019	2018
	\$	\$
Total intangible assets		
Balance at the beginning of the reporting period	40,669	54,225
Additions	-	-
Disposals	-	-
Amortisation expense	(13,556)	(13,556)
Balance at the end of the reporting period	27,112	40,669

10. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	2019	2018
	\$	\$
Current		
<i>Unsecured liabilities:</i>		
Trade creditors	22,891	78,433
Other creditors and accruals	13,726	36,386
Unclaimed Dividends	1,604	-
	38,221	114,819

The average credit period on trade and other payables is one month.

11. Borrowings

Current		
<i>Unsecured liabilities</i>		
Bank overdraft	-	62,723
Chattel Mortgage	30,393	-
Total borrowings	30,393	62,723

(a) Bank overdraft and bank loans

The company has an overdraft facility of \$220,000 which is subject to normal commercial terms and conditions.

Notes to the financial statements

12. Provisions

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

	2019 \$	2018 \$
Current		
Employee benefits	19,779	19,226
Non-current		
Employee benefits	1,472	3,010
Total provisions	21,250	22,236

13. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

	2019 \$	2018 \$
884,016 Ordinary shares fully paid	884,016	884,016
Less: Equity raising costs	(29,459)	(29,459)
	854,557	854,557
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	854,557	854,557
Shares issued during the year	-	-
At the end of the reporting period	854,557	854,557

Notes to the financial statements

13. Share capital (continued)

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

14. Accumulated losses	2019	2018
	\$	\$
Balance at the beginning of the reporting period	(619,523)	(695,792)
Profit/(loss) after income tax	61,992	58,536
Dividends paid	-	-
Balance at the end of the reporting period	<u>(557,531)</u>	<u>(637,256)</u>

15. Dividends paid or provided for on ordinary shares

	2019	2018
	\$	\$
Dividends paid or provided for during the year		
No dividends were paid or proposed by the company during the period.	-	-

Notes to the financial statements

16. Earnings per share

Basic earnings per share

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

	2019	2018
	\$	\$
Basic earnings per share (cents)	7.25	6.84
Earnings used in calculating basic earnings per share		
Weighted average number of ordinary shares used in calculating basic earnings per share.	854,557	854,557

17. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

Cash and cash equivalents (Note 5)	25,067	1,779
Less bank overdraft (Note 11)	-	(62,723)
As per the Statement of Cash Flow	<u>25,067</u>	<u>(60,944)</u>

(b) Reconciliation of cash flow from operations with profit after income tax

Profit / (loss) after income tax	61,992	58,536
Non-cash flows in profit		
- Depreciation	2,559	1,323
- Amortisation	13,556	13,556
- Bad debts	3,304	751
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	25,472	(22,909)
- (increase) / decrease in prepayments and other assets	1,613	12,816
- (Increase) / decrease in deferred tax asset	44,547	22,253
- Increase / (decrease) in trade and other payables	(48,614)	18,166
- Increase / (decrease) in current tax liability	-	-
- Increase / (decrease) in provisions	(985)	5,834
Net cash flows from / (used in) operating activities	<u>103,444</u>	<u>110,326</u>

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to \$220,000 (2018: \$157,277). This may be terminated at any time at the option of the bank. At 30 June 2019, \$0 of this facility was used (2018: \$62,723). Variable interest rates apply to these overdraft and bill facilities.

Notes to the financial statements

18. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

The Albany (WA) Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2019.

(d) Key management personnel shareholdings

The number of ordinary shares in Albany (WA) Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2019	2018
Sarah Bowles	2,500	2,500
Michael Clutterham	-	-
Danielle Branson	-	-
Simon Lyas	-	-
Graham Foster	500	500
Leon Delpech	-	-
Johanna Tomlinson	2,000	2,000
	<u>5,000</u>	<u>5,000</u>

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Notes to the financial statements

19. Events after the reporting period

There have been no events after the end of the financial year that would materially affect the financial statements.

20. Contingent liabilities and contingent assets

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

21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Albany, WA. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2018:100%).

22. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2019	2018
	\$	\$
Payable:		
- no later than 12 months	44,000	44,000
- between 12 months and five years	88,000	132,000
- greater than five years	-	-
Minimum lease payments	<u>132,000</u>	<u>176,000</u>

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with the option to extend for a further 5 years.

23. Company details

The registered office and principle place of business is Shop 3, 78-82 Lockyer Avenue, Albany WA 6330.

24. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Due to the size of operations the full board acts as the Audit Committee.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies are as follows:

Notes to the financial statements

24. Financial risk management (continued)

	Note	2019 \$	2018 \$
Financial assets			
Cash and cash equivalents	5	25,067	1,779
Trade and other receivables	6	67,918	93,390
Total financial assets		92,985	95,169
Financial liabilities			
Trade and other payables	10	38,221	114,819
Bank overdraft	11	-	62,723
Total financial liabilities		38,221	177,542

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2018: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

Notes to the financial statements

24. Financial risk management

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

In addition the company has established an overdraft facility of \$220,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is \$220,000(2018: \$157,277).

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents	0%	25,067	25,067	-	-
Trade and other receivables	0%	67,918	67,918	-	-
Total anticipated inflows		92,985	92,985	-	-
Financial liabilities					
Trade and other payables	0%	38,221	38,221	-	-
Bank overdraft *	3.795%	-	-	-	-
Total expected outflows		38,221	38,221	-	-
Net inflow / (outflow) on financial instruments		54,764	54,764	-	-

Notes to the financial statements

24. Financial risk management (continued) (b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents	0%	1,779	1,779	-	-
Trade and other receivables	0%	93,390	93,390	-	-
Total anticipated inflows		95,169	95,169	-	-
Financial liabilities					
Trade and other payables	0%	114,819	114,819	-	-
Bank overdraft *	3.795	62,723	62,723	-	-
Total expected outflows		177,542	177,542	-	-
Net inflow / (outflow) on financial instruments		(82,373)	(82,373)	-	-

* The Bank overdraft has no set repayment period and as such all has been included as current.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

Year ended 30 June 2019	Profit \$	Equity \$
+/- 1% in interest rates (interest income)	250	250
+/- 1% in interest rates (interest expense)	-	-
	250	250

Notes to the financial statements

24. Financial risk management (continued)

(c) Market risk (continued)

Year ended 30 June 2018	Profit \$	Equity \$
+/- 1% in interest rates (interest income)	17	17
+/- 1% in interest rates (interest expense)	<u>(627)</u>	<u>(627)</u>
	<u>(610)</u>	<u>(610)</u>

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2019		2018	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair Value \$
Financial assets				
Cash and cash equivalents (i)	25,067	25,067	1,779	1,779
Trade and other receivables (i)	<u>67,918</u>	<u>67,918</u>	<u>93,390</u>	<u>93,390</u>
Total financial assets	<u>92,985</u>	<u>92,985</u>	<u>95,169</u>	<u>95,169</u>
Financial liabilities				
Trade and other payables (i)	38,221	38,221	114,819	114,819
Bank overdraft	<u>-</u>	<u>-</u>	<u>62,723</u>	<u>62,723</u>
Total financial liabilities	<u>38,221</u>	<u>38,221</u>	<u>177,542</u>	<u>177,542</u>

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' Declaration

In accordance with a resolution of the Directors of Albany (WA) Community Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable ground 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 resolution of the board of directors.



Sarah Bowles, Chairperson
Signed on the 24 of September 2019

INDEPENDENT AUDITOR'S REPORT
To: The Members of Albany (WA) Community Financial Services Ltd

Report on the Audit of the Financial Report

We have audited the accompanying financial report of Albany (WA) Community Financial Services Ltd, which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of Albany (WA) Community Financial Services Ltd is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The going concern basis of accounting is appropriate when it is reasonably foreseeable that the company will be able to meet its liabilities as they fall due.

The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial report

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted an independent audit of the financial report in order to express an opinion on it to the members.

Our objective is 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.



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LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION



Misstatements 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 members taken on the basis of this financial report.

We have complied with the competency standards set by Australian Securities & Investments Commission (ASIC). Our audit has been conducted in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Paul Gilbert FCPA MBA
Macleod Corporation Pty Ltd
Unit 8, 76 Proudlove Parade, ALBANY WA 6330

Dated this 26th day of September 2019



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