

Annual Report 2019

Balnarring & District Community Services Limited

Balnarring & District
Community Bank® Branch

ABN 84 127 842 059



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Chair's report

For year ending 30 June 2019

Your bank, sharing profits, investing in our community

It is with a great deal of pleasure that I present the 11th Annual Report of Balnarring & District Community Services Limited. Business growth has again been above budget, a pleasing result in what has been a challenging banking environment over the 2018/19 financial year. Directors and staff are very proud of the increase in profit after provision for income tax and the resulting community investments.

We thank our shareholders and many customers for their continued support, as without their loyalty, our **Community Bank**[®] branch cannot grow and prosper.

My Board and I continue to have a strong working relationship with our partner, Bendigo and Adelaide Bank Limited and we continue to work together to ensure the growth of the business and the best possible outcome for all. Such a relationship, based on mutual respect and a commitment to ongoing, robust discussions, along with our involvement in the broader **Community Bank**[®] network, provides the best possible support.

Our cohesive, stable and highly experienced Board continues to demonstrate very high standards of 'whole-of-organisation' governance. Shareholders can be confident that we continue to work in their best interests and those of our customers and communities. We are proud that our Board comprises members of varied skills, knowledge, experience, backgrounds, age and gender and the commitment of every Director to the success of our business and our communities is second-to-none.

An effective Strategic Plan, developed in partnership with our staff and designed to generate growth and address ongoing changes in the banking industry, continues to be in place and is regularly reviewed by Board Committees and staff to ensure effectiveness and the achievement of identified goals.

The role of a volunteer director on a **Community Bank**[®] company board is complex, as we ensure that we meet all aspects of performance and compliance. This is a significant commitment and I would like to thank the members of my Board, who continue to devote many hours to ensuring both the success of our business and extremely high standards of corporate governance.

Over the past year we have seen only one change to our Board, with the appointment of Michael Treadwell in January 2019. Michael brings valuable representation and proven advocacy and action for young people and a presence for Point Leo and Red Hill to the Board to our work.

Residents of our communities from Somers to Flinders and across to Red Hill South continue to embrace the **Community Bank**[®] Model and support our branch with their banking, the profits of which fund our many community investments. We are committed to ensuring that Balnarring & District **Community Bank**[®] Branch supports this vital work by further strengthening our local economy through providing a full range of banking services for customers and retaining capital locally.

Successful communities take control of and shape their futures and rely on those who have a vision and put themselves out there, engage their communities and then work together to achieve those dreams. Because of the loyalty of our shareholders and customers, we are proud that we have been able to support the implementation of many of these important projects and programs and become a significant source of community funding in our district.

We have supported well in excess of 100 community groups and organisations over the past 11 years, providing funds to facilitate a wide range of local projects and events. The success of your **Community Bank**[®] branch allowed us to invest significant funds into local sporting clubs, Somers and Balnarring Primary Schools, Presentation Family Centre and Shoreham and Somers Fire CFA Brigades over this financial year.

Our returns to community as sponsorships and donations to our many hard-working community groups during 2018/19 totalled \$139,371 and the organisations we have supported include:

- Flinders Pre-school
- St Johns Flinders Recitals
- Point Leo Surf Life Saving Club
- Friends of Bill Carroll Reserve, Merricks
- Merricks Station Reserve
- Balnarring District Netball Club
- Balnarring & District Historical Society
- Balnarring Boomerang Bags

Chair's report (continued)

- Somers Neighbourhood Watch
- Somers Paper Nautilus
- Westernport Model Aircraft Club

Importantly, our investments are spread across of the many areas of activity we need to ensure a well-balanced and healthy community, such as cultural arts, children/youth, health, education, environment, infrastructure, aged care and sport.

Your Board's ongoing commitment to young people continues through our 'Young Leader Award' in The Bridge Magazine and our strong working relationship with the Mornington Peninsula Shire's Youth Services team. We have also supported valuable leadership and youth development programs such as Point Leo Surf Life Saving Club's 'Life Changer Program' and a range of leadership awards in our clubs and schools.

In August 2018 we paid our seventh dividend of 8.0 cents per share fully franked, with a total payment to shareholders of \$67,200, making our total returns to community during the 2018/19 financial year \$206,571.

The end of the 2018/19 financial year saw a total return of \$1,360,961 as donations, grants, sponsorships and dividend payments to our communities and funds invested for future community investments, since the branch opened in 2008. What a compelling demonstration of the power of community banking and why Balnarring & District **Community Bank**[®] Branch has become such a valued community venture.

When we achieved the \$1 million return to community milestone towards the end of the last financial year, we committed to returning the next \$1 million in just five years and then worried that we might be biting off more than we could chew. However, it seems that we are well on track to do better than that so can we rely on your help to achieve this target even more quickly?

I would like to commend and thank our Branch Manager Greg Hood and his staff team of Elyshia, Glenys, Melinda, Joanne and Tracey, for their professionalism, commitment to excellent customer service and unpaid work supporting our **Community Bank**[®] branch. Melinda, who worked at the branch since it opened in 2008, has now moved on to a new role with Bendigo Bank. Happily, she will continue as our Board Administration Officer, supporting both Directors and our many community groups.

Thank you also to our Regional Manager Simon Sponza, our Regional Community Manager Tania Hansen and their ever-helpful team for their valuable support and assistance over the past year. Changes to regional structures and staffing mean that we will no longer be working with Simon and Tania, both of whom have moved to other valuable roles within the bank. We will miss their contribution.

Finally, a huge thank you to our many community partners. Such partnerships are vital as we work together to achieve a shared community vision of our future.

If you are a shareholder who is not yet a customer, we would ask you to consider why not. We are committed to our community because we are owned by our community and we need our shareholders to support us with their banking.

If you are a customer, thank you for your support and please continue to advocate for us by recommending us to family and friends. If you are a member of a club, can you talk to your fellow members about considering us as their bank of choice? The profits we share with our communities are the result of our customers' banking, so we need your help to make an even greater difference.

What a wonderful feeling it is to know that your banking is making great things happen in your community.



Heather Goddard
Chair

Manager's report

For year ending 30 June 2019

It is with great pleasure that I present this report, recognising that the financial year ending 30 June 2019 for the Balnarring & District **Community Bank**[®] Branch has been a successful year.

Over the year we were able to grow our total banking business by \$7.9 million. The total branch business is made up of lending balances of \$62.2 million, deposit balances of \$113.7 million and other banking business \$16.0 million.

It is due to the hard work of our staff and board members that we have been able to continue this growth generating a strong positive cash flow and good net profit result before tax.

Given the banking environment that we have been operating in during the year, this has been a good result that has come about by some fantastic work of our staff, board members and continued support of our local community.

Our challenge going forward is to continue to grow our business and relationships with the community to ensure even greater outcomes for the community. This growth is only possible through the continued support of existing customers by doing more of their business with the Balnarring & District **Community Bank**[®] Branch and the introduction of new customers to the branch who currently do not bank with Bendigo Bank. I encourage all existing customers to actively promote our branch to your family and friends to encourage them to at least talk to us so that they can see the benefits of banking with a local **Community Bank**[®] branch.

I would like to take this opportunity thank my staff, Sharra Valentine, Elysha Thobe, Glenys Wandmaker, Mel Symes, Joanna Albress and Tracey Cullum who take such pride in what they do for our customers and the difference they are able to make to our community. They are to be congratulated for their efforts, professionalism, level of service and commitment to both our customers and the community. It is a pleasure to work with such a dedicated team.

A big thank you to our partner Bendigo Bank especially our regional team lead by Regional Manager Simon Sponza and Regional Community Manager Tania Hansen. The fantastic support we receive from Simon and Tania and their team has certainly contributed to our successful year and is very much appreciated. Due to a bank restructure, we will no longer be working with Simon and Tania and wish them both the best of luck in their new positions within Bendigo Bank.

At board level, there has been continued support for the branch and community. We have a terrifically active board of Directors, led by the passionate Heather Goddard. I would like to pass on my thanks to each and every Director. Our Board continues to be the envy of many other Community Bank[®] companies for the diligence with which they undertake their director duties.

Balnarring & District **Community Bank**[®] Branch has a fantastic relationship with our community and the many community groups that we have been able to support. Thank you to all the members of the community for your support. What we do is unique.

We are well and truly on track to give back to our community a further \$1 million in just five years. This year we have been able to contribute a total of \$206,571.

We have been able to contribute total funds of \$1,360,961 since opening the Branch in 2008.

Thank you to everyone for your support and I look forward to working with you all during the coming year to ensure that we continue to grow and impact our community. I wish everyone a successful year.



Greg Hood
Branch Manager

Dividend payment history

Dividend to shareholders			
Financial Year	Amount Per Share	Franking Level*	Date Paid
2018/2019	\$0.08	Franked	30/08/2019
2017/2018	\$0.08	Franked	31/08/2018
2016/2017	\$0.07	Unfranked	18/08/2017
2015/2016	\$0.06	Unfranked	30/08/2016
2014/2015	\$0.055	Unfranked	30/10/2015
2013/2014	\$0.05	Unfranked	13/10/2014
2012/2013	\$0.03	Unfranked	15/11/2013
2011/2012	\$0.02	Unfranked	15/6/2013

Community investments

Balnarring & District **Community Bank**[®] Branch community groups and organisations supported to 30 June 2019

1st Balnarring Scouts	Friends of Flinders Coastline
3RPP	Friends of Somers Foreshore Inc
Anzac Organisation	Hastings Cancer Support Group
Balnarring Bowls & Social Club	Hastings Pony Club
Balnarring Bridge Magazine	Lions Club of Balnarring
Balnarring Cricket Club	Lord Somers Camp
Balnarring & District Netball Club	Merricks Coolart Catchment Group
Balnarring Fire Brigade	Merricks Station Reserve Committee of Management
Balnarring Foreshore Committee	Merricks Yacht Club
Balnarring Historical Society	Mornington Pen Schools Environment Week
Balnarring Ladies Probus	Mornington Peninsula Cricket Association
Balnarring Musos	Mornington Peninsula Junior Football League
Balnarring Occasional Child Care	Mornington Peninsula Nepean Football League
Balnarring Picnic Races	Mornington Peninsula Netball Association
Balnarring Pony Club	Mornington Peninsula Shire Programs
Balnarring Pre-School	Mornington Principals Association - Science Fair
Balnarring Primary School	Peninsula Hospice (including Westernport Friends of Hospice)
Balnarring Senior Citizens	Peninsula Summer Music Festival
Balnarring Storm Basketball Club	Point Leo Foreshore Committee
Balnarring Tennis Club	Point Leo Life Saving Club
Balnarring Thunder Junior Football Club	Presentation Family Centre
Balnarring Village Common	Probus Club of Balnarring
Bittern Fire Brigade	Red Hill Agricultural & Horticultural Society
Boomerang Bags Balnarring	Red Hill Riders Mountain Bike Club
Boomerang Bags Somers	Riding for the Disabled Association Victoria, Peninsula Group
Bundjils Nest	Semiquavers
Carriage Driving for Disabled, Mornington Centre	Shoreham Fire Brigade
Daimler Lanchester Club	Shoreham Residents Association
Disabled Surfers Association	Somers Art Fair
Dromana College Scholarship	Somers Chamber Music Society
Emu Plains Committee of Management	Somers Fire Brigade
Flinders Community Association	Somers Girl Guides
Flinders District Historical Society	Somers Neighbourhood Watch
Flinders Rural Fire	Somers Paper Nautilus
Flinders Art Show	Somers Pre-School
Flinders Bowls Club	Somers Primary School
Flinders Cricket Club	Somers Residents Association
Flinders Golf Club	Somers Tennis Club
Flinders Junior Golf Academy	Somers Yacht Club
Flinders Lions Club	Sustainability Fair
Flinders Pre-School	St Johns Flinders, Recital
Flinders Singers	St Marks Church
Flinders Yacht Club	Westernport Model Aircraft Club
Frankston Peninsula Carers Inc	Westernport Uniting Church
Friends of Bill Carroll Reserve	Westernport Yacht Club
Friends of Coolart	YMCA - Skate Park League

Message from Bendigo and Adelaide Bank

For year ending 30 June 2019

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

Director's report

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

Directors

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

Heather Goddard

Chair

Occupation: Retired

Qualifications, experience and expertise: Diploma of Teaching Primary & Graduate Diploma in Educational Studies (Learning Difficulties in Language and Mathematics). Retired primary teacher. State Parliamentary Electorate Officer 1982-1986.

Balnarring Primary School Early Years Literacy Co-ordinator 1993-2009; BPS Sustainability Co-ordinator 2009-2011. Founding member of the Balnarring Community Wetlands Committee; member of the Friends of Balbirooroo Wetlands; member of the Merricks-Coolart Catchment Landcare Group.

Special responsibilities: Chair, Governance & Shareholder Relations Committee, Marketing & Sponsorship Committee and Public Relations Co-ordinator. Human resources committee (*Attended 4 meetings as a visitor*)

Interest in shares: 1,500

Mark John Laughton

Deputy Chair

Occupation: Lawyer

Qualifications, experience and expertise: Mark has worked as a Lawyer at BSA Legal Balnarring since 2011 prior to being a member of Victoria Police for 23 years. Mark holds a Bachelor of Law (Honours), Graduate Diploma in Legal Practice and a Cert IV in Workplace Training and assessment. He is the Vice-President of the Crib Point Football Netball Club and a life membership of the Balnarring Junior Football club.

Special responsibilities: HR Committee, Governance & Shareholder Relations Committee and Property Portfolio.

Interest in shares: Nil

Christopher John Gurney

Treasurer

Occupation: Director

Qualifications, experience and expertise: Bachelor of Economics Monash University. Graduate of Australian Institute of Company Directors. Past positions in Marketing and General Management with Unilever, Beecham, SCA and Bakers Delight.

Key roles were Acting Managing Director Sancell SCA UK, General Manager Deeko, Logistics and Purchasing Manager CHH/SCA, President COBS Bread North America (Bakers Delight), GM Marketing and Operations Bakers Delight Australia and NZ. Current positions part time, Director Bakers Delight Holdings Ltd.

Special responsibilities: Treasurer, Business Development Committee and Finance & Budget Committee Convenor.

Interest in shares: 19,400

Chantelle Marie Waterson

Director

Occupation: Consultant

Qualifications, experience and expertise: Chantelle is a qualified accountant as she has completed her CPA, Dip Accounting, Bachelor of Commerce and is a BAS Agent. Chantelle is the Treasurer of the Rye Primary School and past Treasurer of Rye Kinder and has lived in the Mornington Peninsula for over 10 years.

Special responsibilities: Finance & Budget Committee.

Interest in shares: 500

Director's report (continued)

Directors (continued)

Andrew Scott Thomas

Director

Occupation: Technical Training Support Officer

Qualifications, experience and expertise: Andrew is currently a Technical Training Support Officer HMAS CERBERUS, Chief Petty Officer Electronics Communications RAN (Reserve). He holds a Diploma of Quality Auditing, Cert IV in Training and Assessment and Diploma of Engineering in Communications Systems. Balnarring Village Common Community Group - Treasurer & Planning Sub-committee Convener.

Special responsibilities: Convener of Marketing & Sponsorship Committee.

Interest in shares: 4,600

Ronald Graham Kempster

Director

Occupation: Retired

Qualifications, experience and expertise: Completed tertiary studies in the UK and holds qualifications in Engineering and Industrial engineering. In Melbourne, added a Graduate Diploma of Management Systems from Swinburne. Since moving to Melbourne in 1971 Ron has held Business Consultant and IT management positions with a major Australian airline, a Quality Manager position with a national computer group and was Operations Support Manager with a long established financial services company. Involvement in several local community groups, some as treasurer.

Special responsibilities: Business Development Committee, Marketing & Sponsorship Committee and Finance & Budget Committee.

Interest in shares: Nil

Stuart Whiteley

Director

Occupation: Executive

Qualifications, experience and expertise: Stuart is a successful business executive with extensive commercial, strategic and program management expertise across a range of international companies. His work and experience has taken him around the world and he has a proven track record in the delivery of large and complex high technology programs reflecting his energetic and innovative management style. Stuart is an enthusiastic and committed member of the Australian institute of Project Management. At home he is a keen photographer, bush walker and enjoys camping with his family. Although relatively new to Somers and Balnarring, Stuart and his wife Sarah have quickly grown to love the beauty and tranquillity of the area and is excited to have the opportunity to bring his experience and knowledge to make a difference into the local community, working hard on the board of the Balnarring and District Community Bank Branch.

Special responsibilities: Governance & Shareholder Relations and Business & Development Committee Convenor.

Interest in shares: Nil

Pamela Elizabeth Ford

Director

Occupation: Retired

Qualifications, experience and expertise: Tertiary qualifications: Diploma of Welfare Studies, B.Arts Sociology and Human Resources, Monash University. Mornington Obedience Dog Club, Secretary; Western Port Visitors Information Centre and extensive experience in senior positions in Local Government and Community Organizations..

Special responsibilities: Human Resources Committee Convenor.

Interest in shares: Nil

Director's report (continued)

Directors (*continued*)

Kym Anthony Bridgford

Director

Occupation: Retired

Qualifications, experience and expertise: 41 years with Education. Employed by the Department of Education and Early Child Development. Worked at Cranbourne Secondary, Hastings High School, Pakenham Secondary, Western Port Secondary and Koo Wee Rup Secondary. Held many varied positions until finally reaching principal for the last eight years. In all roles I have worked on many committees associated with Staffing/HR, Financing, School Council, Welfare and more. Local resident in Balnarring for 15 years and 17 at Merricks. Kym also volunteers as the Vice President at Western Port Tourism.

Special responsibilities: Marketing & Sponsorship Committee and Governance & Shareholder Relations Committee.

Interest in shares: 1,000

Michael Hartley Treadwell

Director (*Appointed 29 January 2019*)

Occupation: Urban Planner

Michael grew up in Red Hill South and joined the Board of Directors of the Balnarring and Vice President of Point Leo Surf Lifesaving Club and has been an active patroller for the past 17 years. Michael holds a Bachelor of Environmental Science (2009) and a Masters of Urban Planning (2013), and is presently working towards becoming a Registered Planner with the Planning Institute of Australia. Michael currently works in the infrastructure planning field, having previously spent time working as an urban planner in the residential and commercial fields. He enjoys being a part of the local community and, together with his twin brother Luke, was the recipient of a Bravery Award from the Mornington Peninsula Shire Council at the 2019 Australia Day Awards Ceremony.

Special responsibilities: Marketing & Sponsorship Committee (*Attended 2 meetings as a visitor*).

Interest in shares: 500

Clair Louisa Thorn

Director (*Resigned 17 January 2019*)

Occupation: Victorian Public Servant

Qualifications, experience and expertise: Claire completed a Bachelor of Arts (Social Sciences) at Monash University. She then went on to complete a Master in Public Policy and Management and an Executive Masters of Public Administration at the University of Melbourne. Clair is a member of the Australian Institute of Company Directors.

Special responsibilities: Nil

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Melinda Symes. Melinda was appointed on 12 April 2013, resigned on 26 August 2015 and was re-appointed to the position of secretary on 25 November 2015.

Qualifications, experience and expertise: As an experienced Senior Accounts Manager and Customer Relationship Officer, Melinda is well qualified to support the Board and oversee the governance and administrative functions of the company.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Director's report (continued)

Operating results

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

Year ended 30 June 2019	Year ended 30 June 2018
\$	\$
148,639	117,583

Dividends

	Year ended 30 June 2019	
	Cents	\$
Dividends paid in the year	8	67,200

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Director's report (continued)

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Governance & Shareholder Relations		Finance & Budget		Human Relations		Business Development		Marketing, Sponsorship & Shareholder Relations	
			A	B	A	B	A	B	A	B	A	B
Heather Goddard	11	8	4	3	-	-	4 [^]	4 [^]	-	-	11	9
Chantelle Marie Waterson***	7	5	-	-	2	0	-	-	-	-	-	-
Christopher John Gurney	11	6	-	-	2	2	-	-	5	5	-	-
Mark John Laughton	11	8	4	4	-	-	4	3	-	-	-	-
Andrew Scott Thomas	11	8	-	-	-	-	-	-	-	-	11	10
Ronald Graham Kempster	11	8	-	-	2	1	-	-	5	5	11	10
Stuart Whiteley	11	8	4	3	-	-	-	-	5	5	-	-
Pamela Elizabeth Ford	11	7	4	2	-	-	4	4	-	-	11	10
Kym Anthony Bridgford	11	6	4	2	-	-	-	-	-	-	11	4
Michael Hartley Treadwell*	5	4	-	-	-	-	-	-	-	-	2 [^]	2 [^]
Claire Louisa Thorn**	6	2	1	0	-	-	-	-	-	-	-	-

A - eligible to attend

B - number attended

*(Appointed 29 January 2019)

** (Resigned 17 January 2019)

*** (Leave of Absence from August to October 2018)

[^] (Attended meetings as a visitor)

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

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

Director's report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the board of directors at Balnarring, Victoria on 27 August 2019.



Heather Goddard, Chair

Auditor's independence declaration



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 27 August 2019

Joshua Griffin
Lead Auditor

Financial statements

Statement of Profit and Loss and other Comprehensive Income for year ending 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	1,085,598	1,017,778
Employee benefits expense		(386,937)	(400,302)
Charitable donations, sponsorship, advertising and promotion		(229,075)	(218,855)
Occupancy and associated costs		(79,579)	(74,653)
Systems costs		(20,379)	(20,000)
Depreciation and amortisation expense	5	(55,783)	(33,074)
Finance costs	5	(1,448)	(1,689)
General administration expenses		(107,377)	(107,020)
Profit before income tax expense		205,020	162,185
Income tax expense	6	(56,381)	(44,602)
Profit after income tax expense		148,639	117,583
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		148,639	117,583
Earnings per share		¢	¢
Basic earnings per share	23	17.70	14.00

The accompanying notes form a part of these financial statements

Financial Statements (continued)

Balance Sheet as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	670,067	601,508
Trade and other receivables	8	82,359	78,070
Total current assets		752,426	679,578
Non-current assets			
Property, plant and equipment	9	91,887	99,720
Intangible assets	10	52,273	65,492
Deferred tax asset	11	11,142	13,078
Total non-current assets		155,302	178,290
Total assets		907,728	857,868
LIABILITIES			
Current liabilities			
Trade and other payables	12	54,701	41,786
Current tax liabilities	11	12,967	33,592
Borrowings	13	5,746	5,494
Provisions	14	30,729	37,349
Total current liabilities		104,143	118,221
Non-current liabilities			
Trade and other payables	12	29,089	43,633
Borrowings	13	23,428	29,174
Provisions	14	8,047	5,258
Total non-current liabilities		60,564	78,065
Total liabilities		164,707	196,286
Net assets		743,021	661,582
EQUITY			
Issued capital	15	815,096	815,096
Accumulated losses	16	(72,075)	(153,514)
Total equity		743,021	661,582

The accompanying notes form a part of these financial statements

Financial Statements (continued)

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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017		815,096	(212,297)	602,799
Total comprehensive income for the year		-	117,583	117,583
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(58,800)	(58,800)
Balance at 30 June 2018		815,096	(153,514)	661,582
Balance at 1 July 2018		815,096	(153,514)	661,582
Total comprehensive income for the year		-	148,639	148,639
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(67,200)	(67,200)
Balance at 30 June 2019		815,096	(72,075)	743,021

The accompanying notes form a part of these financial statements

Financial Statements (continued)

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		1,183,710	1,123,180
Payments to suppliers and employees		(932,456)	(915,400)
Interest received		10,881	8,647
Interest paid		(1,448)	(1,689)
Income taxes paid		(75,070)	(38,312)
Net cash provided by operating activities	17	185,617	176,426
Cash flows from investing activities			
Payments for property, plant and equipment		(31,142)	(2,839)
Proceeds from property, plant and equipment		(13,222)	-
Net cash used in investing activities		(44,364)	(2,839)
Cash flows from financing activities			
Repayment of borrowings		(5,494)	(5,252)
Dividends paid	21	(67,200)	(58,800)
Net cash used in financing activities		(72,694)	(64,052)
Net increase in cash held		68,559	109,535
Cash and cash equivalents at the beginning of the financial year		601,508	491,973
Cash and cash equivalents at the end of the financial year	7(a)	670,067	601,508

The accompanying notes form a part of these financial statements

Notes to the Financial Statements

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

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

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

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$197,004.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Balnarring, Victoria.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** 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 manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

- plant and equipment	2.5 - 40	years
- motor vehicles	3 - 5	years

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement (continued)

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

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

k) Financial Instruments (continued)

Impairment (continued)

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions 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.

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

n) Issued capital

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

o) Earnings per share

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 2. Financial risk management (continued)

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2019 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 3. Critical accounting estimates and judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 4. Revenue from ordinary activities	2019	2018
	\$	\$
Operating activities:		
- gross margin	919,522	849,118
- services commissions	91,400	92,516
- fee income	48,159	52,865
- ATM income	4,372	4,973
- market development fund	10,000	10,000
Total revenue from operating activities	<u>1,073,453</u>	<u>1,009,472</u>
Non-operating activities:		
- interest received	11,871	8,306
- other revenue	274	-
Total revenue from non-operating activities	<u>12,145</u>	<u>8,306</u>
Total revenues from ordinary activities	<u>1,085,598</u>	<u>1,017,778</u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	34,972	9,644
- motor vehicle	7,592	10,120
Amortisation of non-current assets:		
- franchise agreement	2,200	2,222
- franchise renewal fee	11,019	11,088
	<u>55,783</u>	<u>33,074</u>
Finance costs:		
- interest paid	<u>1,448</u>	<u>1,689</u>
Bad debts	<u>147</u>	<u>452</u>
Loss on disposal of asset	<u>611</u>	<u>-</u>

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	54,445	47,158
- Movement in deferred tax	1,936	(2,556)
	<u>56,381</u>	<u>44,602</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 6. Income tax expense (continued)	2019	2018
	\$	\$
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	205,020	162,185
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	56,381	44,602
Add tax effect of:		
- timing difference expenses	(1,936)	2,556
	<u>54,445</u>	<u>47,158</u>
Movement in deferred tax	1,936	(2,556)
	<u>56,381</u>	<u>44,602</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	198,088	64,383
Term deposits	471,979	537,125
	<u>670,067</u>	<u>601,508</u>

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	198,088	64,383
Term deposits	471,979	537,125
	<u>670,067</u>	<u>601,508</u>

Note 8. Trade and other receivables

Trade receivables	69,634	71,940
Prepayments	11,021	5,418
Other receivables and accruals	1,704	712
	<u>82,359</u>	<u>78,070</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 9. Property, plant and equipment	2019	2018
	\$	\$
Plant and equipment		
At cost	326,748	299,410
Less accumulated depreciation	(263,662)	(230,083)
	<u>63,086</u>	<u>69,327</u>
Motor vehicles		
At cost	47,710	41,710
Less accumulated depreciation	(18,909)	(11,317)
	<u>28,801</u>	<u>30,393</u>
Total written down amount	<u>91,887</u>	<u>99,720</u>
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	69,327	76,132
Additions	29,342	2,839
Disposals	(611)	-
Less: depreciation expense	(34,972)	(9,644)
Carrying amount at end	<u>63,086</u>	<u>69,327</u>
Motor vehicles		
Carrying amount at beginning	30,393	40,513
Additions	6,000	-
Disposals	-	-
Less: depreciation expense	(7,592)	(10,120)
Carrying amount at end	<u>28,801</u>	<u>30,393</u>
Total written down amount	<u>91,887</u>	<u>99,720</u>
Note 10. Intangible assets		
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	<u>-</u>	<u>-</u>
Franchise fee		
At cost	32,555	32,555
Less: accumulated amortisation	(23,843)	(21,643)
	<u>8,712</u>	<u>10,912</u>
Renewal processing fee		
At cost	112,777	112,777
Less: accumulated amortisation	(69,216)	(58,197)
	<u>43,561</u>	<u>54,580</u>
Total written down amount	<u>52,273</u>	<u>65,492</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 11. Tax	2019	2018
	\$	\$
Current:		
Income tax payable	<u>12,967</u>	<u>33,592</u>
Non-current:		
Deferred tax assets		
- accruals	948	1,558
- employee provisions	10,663	11,716
	<u>11,611</u>	<u>13,274</u>
Deferred tax liability		
- accruals	469	196
	<u>469</u>	<u>196</u>
Net deferred tax asset	<u>11,142</u>	<u>13,078</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>1,936</u>	<u>(2,556)</u>

Note 12. Trade and other payables

Current:		
Trade creditors	14,500	4,779
Other creditors and accruals	40,201	37,007
	<u>54,701</u>	<u>41,786</u>
Non-current:		
Other creditors and accruals	<u>29,089</u>	<u>43,633</u>

Note 13. Borrowings

Current:		
Chattel mortgage	18	<u>5,746</u>
		<u>5,494</u>
Non-current:		
Chattel mortgage	18	<u>23,428</u>
		<u>29,174</u>

Chattel Mortgage is repayable monthly with the final instalment due on 5 June 2021. Interest is recognised at an average rate of 5.17% (2018: 4.42%). The loan is secured by a fixed and floating charge over the company's assets.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 14. Provisions	2019	2018
	\$	\$
Current:		
Provision for annual leave	14,588	22,324
Provision for long service leave	16,141	15,025
	<u>30,729</u>	<u>37,349</u>
Non-current:		
Provision for long service leave	<u>8,047</u>	<u>5,258</u>

Note 15. Issued capital		
840,000 ordinary shares fully paid (2018: 840,000)	840,000	840,000
Less: equity raising expenses	(24,904)	(24,904)
	<u>815,096</u>	<u>815,096</u>

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 15. Issued capital (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 243. As at the date of this report, the company had 263 shareholders.

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

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

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

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

Note 16. Accumulated losses	2019	2018
	\$	\$
Balance at the beginning of the financial year	(153,514)	(212,297)
Net profit from ordinary activities after income tax	148,639	117,583
Dividends paid or provided for	(67,200)	(58,800)
Balance at the end of the financial year	<u>(72,075)</u>	<u>(153,514)</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 17. Statement of cash flows	2019	2018
	\$	\$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	148,639	117,583
Non cash items:		
- depreciation	42,564	19,764
- amortisation	13,219	13,310
- loss on disposal of asset	610	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(4,288)	14,163
- (increase)/decrease in other assets	10,958	(68,667)
- increase/(decrease) in payables	(1,629)	64,437
- increase/(decrease) in provisions	(3,831)	6,990
- increase/(decrease) in current tax liabilities	(20,625)	8,846
Net cash flows provided by operating activities	<u>185,617</u>	<u>176,426</u>

Note 18. Leases

Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	6,941	6,941
- between 12 months and 5 years	24,359	31,300
- greater than 5 years	-	-
Minimum lease payments	<u>31,300</u>	<u>38,241</u>
Less future finance charges	(2,126)	(3,573)
Present value of minimum lease payments	<u>29,174</u>	<u>34,668</u>

The finance lease of \$39,920, which commenced in 2017, is a four year lease. Interest is recognised at an average rate of 5.17%. Bendigo Bank maintain a security agreement over the motor vehicle for the period of lease.

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:		
- not later than 12 months	54,978	52,962
- between 12 months and 5 years	142,026	189,782
- greater than 5 years	-	-
	<u>197,004</u>	<u>242,744</u>

The operating lease on the Balnarring branch premises is a non-cancellable lease expiring 1 February 2023 with a five-year term, with rent payable monthly in advance.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 19. Auditor's remuneration	2019	2018
	\$	\$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- share registry services	4,673	3,443
- other non audit services	1,830	2,310
	<u>11,103</u>	<u>10,153</u>

Note 20. Director and related party disclosures

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

Heather Goddard
 Chantelle Marie Waterson
 Christopher John Gurney
 Mark John Laughton
 Andrew Scott Thomas
 Ronald Graham Kempster
 Stuart Whiteley
 Pamela Elizabeth Ford
 Kym Anthony Bridgford
 Michael Hartley Treadwell (*Appointed 29 January 2019*)
 Claire Louisa Thorn (*Resigned 17 January 2019*)

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

	2019	2018
	\$	\$
Transactions with related parties:		
Mark John Laughton provided Legal advice provided to the board	<u>-</u>	<u>923</u>

Directors Shareholdings

	2019	2018
Heather Goddard	1,500	1,500
Chantelle Marie Waterson	500	500
Christopher John Gurney	19,400	18,400
Mark John Laughton	-	-
Andrew Scott Thomas	4,600	4,600
Ronald Graham Kempster	-	-
Stuart Whiteley	-	-
Pamela Elizabeth Ford	-	-
Kym Anthony Bridgford	1,000	1,000
Michael Hartley Treadwell (<i>Appointed 29 January 2019</i>)	500	-
Claire Louisa Thorn (<i>Resigned 17 January 2019</i>)	-	-

There was movement in directors shareholdings during the year.

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 21. Dividends provided for paid	2019	2018
	\$	\$
a. Dividends paid during the year		
Current year dividend		
Fully franked (2018: Unfranked) - 8 cents (2018: 7 cents) per share	<u>67,200</u>	<u>58,800</u>
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	87,892	38,312
- franking credits that will arise from payment of income tax as at the end of the financial year	12,967	33,592
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	100,859	71,904
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	<u>100,859</u>	<u>71,904</u>

Note 22. Key management personnel disclosures

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

There are no executives within the company whose remuneration is required to be disclosed.

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Balnarring, Victoria. There is no requirement to own BEN 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 total benefits received by the directors from the Directors' Privilege Package are \$558.14 for the year ended 30 June 2019 (2018: \$413.48).

Note 23. Earnings per share	2019	2018
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	148,639	117,583
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	840,000	840,000

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

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

Note 27. Registered office/Principal place of business

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

Registered Office
Shop 28, Balnarring Village
3050 Frankston Flinders Road
Balnarring VIC 3926

Principal Place of Business
Shop 28, Balnarring Village
3050 Frankston Flinders Road
Balnarring VIC 3926

Notes to the Financial Statements (continued)

For the year ended 30 June 2019

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
			2019	2018	2019	2018	2019	2018				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Financial assets												
Cash and cash equivalents	192,119	55,186	471,979	537,125	-	-	-	-	5,969	9,197	0.94	1.05
Receivables	-	-	-	-	-	-	-	-	69,634	71,940	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,746	5,494	23,428	29,174	-	-	-	-	5.17	4.42
Payables	-	-	-	-	-	-	-	-	14,500	4,779	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019	2018
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	6,349	5,576
Decrease in interest rate by 1%	(6,349)	(5,576)
Change in equity		
Increase in interest rate by 1%	6,349	5,576
Decrease in interest rate by 1%	(6,349)	(5,576)

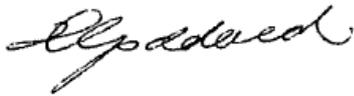
Director's declaration

In accordance with a resolution of the directors of Balnarring & District Community Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Heather Goddard, Chair

Signed on the 27th of August 2019.

Independent audit report



Independent auditor's report to the members of Balnarring & District Community Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Balnarring & District Community Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

Balnarring & District Community Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 27 August 2019



Joshua Griffin
Lead Auditor

Balnarring & District **Community Bank**[®] Branch
Shop 28, Balnarring Shopping Village, 3050 Frankston Flinders Rd, Balnarring VIC 3926
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