Beaconsfield District Community Financial Services Ltd

ABN 18 134 858 889

Beaconsfield District
Community Bank Branch

2019 Annual Report

Contents

Chairman's report

For year ending 30 June 2019

At Beaconsfield District Community Bank, we partner with Australia's fifth largest bank and we're proud of the contribution we make to what is one of Australia's most trusted brands.

We recently celebrated our 10th year anniversary and look forward to continuing to provide banking services to the local community.

Our Community Bank model has been held up as an example of a great way of doing business. We continue to work closely with our partner, Bendigo and Adelaide Bank, on ways to improve the customer experience.

The growth of our existing customer base will mean a growth in your investment and our community's investment in our Community Bank branch.

To all shareholders, I thank you for your ongoing support. We have 245 shareholders in our Community Bank company. I put the challenge to you to take the time to help us grow your business. If every single one of our 245 shareholders referred one customer to Beaconsfield District Community Bank branch, imagine the growth to our business and to your investment. And ultimately, the benefit to your community with a greater pool of funds to distribute to community groups and projects.

Andrew Gardner, our Branch Manager is ready to act on your referrals. Make yourself known to Andrew Gardner and help us help your Community Bank company and our local community.

In the past financial year, banking operations have again been very competitive for our Community Bank company. However, it is pleasing to note that our gross service commission income has increased for the year and the net profit for the year of $148,991 was a significant increase to the net profit for the previous financial year ($102,179).

The income of a Community Bank company is generated from Funds Under Management including Deposits Loans, Insurances, Superannuation and various other products. All banking is with Bendigo and Adelaide Bank Limited. During the financial year these Funds Under Management decreased by $4.3 million (decrease in Deposits and Other of $5 million offset by increase in Loans of $0.7 million). The decline in Funds Under Management is mainly due to intense competition and effects of lower interest rates. The Board of Directors has a strong and positive working relationship with Bendigo and Adelaide Bank Limited and has a Plan to work with them to grow our company's business. We are budgeting to increase the Funds Under Management by $6.4 million to $102 million by the end of the current financial year. Depending on the amount and mix of Funds Under Management our Community Bank company should be able to achieve the budgeted net profit of $104,549. The Board is currently revising the Business Plan for future years with an emphasis on business development and staff utilisation to increase profits in future years.

In the last financial year our company contributed $33,752 to local organisations by way of marketing, advertising and sponsorships. These sponsorships included Beaconsfield and Officer Football Clubs, local Cricket Clubs, Berwick Rotary, Upper Beaconsfield Fair and Fun Run, Berwick Montuna Golf Club and Cardinia Beaconhills Golf Club. The policy adopted by the Board of Directors is that any requests for Sponsorship must meet certain guidelines including obtaining the organisation's business, access to members to inform of benefits of banking with Bendigo and Adelaide Bank Limited, advertising, signage etc. These business relationships are viewed to promote longer term benefits for the organisations, the members and the Community Bank company. Our community contributions since commencement of the company have reached $350,000.

I appreciate the ongoing support, assistance and banking expertise provided by Bendigo and Adelaide Bank Limited through Regional Offices. Our branch was part of the South West Gippsland Region for the past year and, from 1 July 2019 is part of the Melbourne South East Region headed by Tracey Kelly. I thank Regional Managers and staff.

Chairman's report (continued)

An important aspect of any business and particularly a Community Bank company is having friendly customer orientated staff. Branch Manager Andrew Gardner, Customer Relationship Officers Natalie Romero and Kylie Durrant and the Customer Service Officers Nicole Gray and Jacquelynn Murtagh have sound knowledge of banking and the willingness of staff to assist customers and also promote the bank outside normal work hours is greatly appreciated by the Board. During the year we farewelled Erin McColley and Simone Nicholson and thank them for their service.

At the forthcoming Annual General Meeting Rohan Treasure and Sam McCurdy will be retiring as Directors of the company. I thank Rohan Treasure (10 years) and Sam McCurdy (three years) for their invaluable contributions as Directors. Directors contribute a lot of time, energy and expertise for the Community Bank company. Board members have undertaken Planning and Governance matters including revisions of Strategic Plans and Business Plan. Board members have expended considerable time on Planning, Governance and Strategic issues to plan the development of business opportunities to further increase business of the company. Thank you to all Board members for their contributions and commitment to their responsibilities as Directors of a public company. There is much participation required of Directors outside of attending Board and Committee meetings and I acknowledge the voluntary commitment the Directors provided during the year.

Finally, the continued support of the shareholders is greatly appreciated and has assisted the growth of our Community Bank company business. With your continued support combined with the efforts of the staff and board members, we can improve our trading and financial position and benefits will be flowing to shareholders and to the local community. With profits being earned, the Directors have approved the payment of an unfranked dividend of 5 cents per share. An unfranked dividend of 3 cents per share was paid in December 2018.

Graeme J. Taylor FCA
Chairman

Manager's report

For year ending 30 June 2019

Our focus as always remains around adding value to our existing customers while building new relationships in our community to ultimately grow our business. It was another challenging year in a highly competitive financial market. We have witnessed record low lending rates for our borrowers while trying to keep our retired and deposit customers satisfied with low deposit rates. The year has been very challenging. During this period, we have still been able to fulfil some key goals and provide important support back to our local community in the district, with quality service by the staff. To enable the branch to continue with business growth we know that we will need to continue to provide the superior level of customer service that we take great pride in and offer competitive products, interest rates and banking options to our customers, which we are able to do with the support and backing of Bendigo and Adelaide Bank Limited.

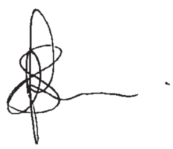
We also achieved a great milestone this year, as we celebrated our 10th Birthday and have continued returning our community contributions to our local community through donations, grants and sponsorships, which makes a significant difference to numerous organisations.

The branch results would not have been possible without the continued hard work from our dedicated branch staff. Nat and Kylie should be proud of their contribution throughout the year. Our customers continually tell us that they love the service that our staff provide. I'd like to take this opportunity to personally thank them for their continued efforts. They really do go above and beyond for our customers. In June this year we welcomed Jackie and Nicole to the team. Both Girls have settled in well and have Bendigo Bank experience having transferred from Bayswater branch. We also say goodbye to staff member Simone and thank her for her service for the last three years.

This year we have moved back to Vic metro and I would like to thank our old Bendigo and Adelaide Bank Limited support team Gerry Marvin (Regional Manager), Shannon Egan (Regional Community Manager), Louise Gavros (People Operations Manager), Mark Hoffman (Local Connection Coordinator) and their teams who are also a great support to our branch and a big welcome to Tracey Kelly (Regional Manager) and her team.

I would also like to sincerely thank Board Chairman Graeme Taylor and the other Board members for their continued support and assistance. Most of all I would like to thank our local shareholders, our individual customers and the local business and community members that choose to do their banking with Beaconsfield & District Community Bank Branch. It is only because they do that, we can provide the support that we do to our local communities. Our success is directly linked to the success of our communities so assisting local groups and supporting community events and projects is ultimately good for all of us. On behalf of the branch staff we look forward to another year of servicing our current, new and potential customers, growing our business and continuing to support our communities.

Thank you



Andrew Gardner
Branch Manager

Bendigo and Adelaide Bank report

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

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Financial report

For year ending 30 June 2019

This Financial report covers the year ended 30 June 2019 with comparative amounts for previous annual periods.

The financial performance as set out in the following table compares actual results for the last four financial periods, with the budgeted 2018/19 income and expenditure approved by the Company's Board of Directors.

	Actual Results $'000				Budget $'000	Budget Variation Favourable (unfavourable)
	2015/16	2016/17	2017/18	2018/19	2018/19	
Revenue from activities	528	617	697	718	743	(25)
Salaries & employment costs	318	344	355	343	345	2
Depreciation & amortisation	31	26	29	26	27	1
Administration & other costs	216	207	211	200	209	9
Total Expenses	565	577	595	569	581	12
Net Profit (Loss) before tax	(37)	40	102	149	162	(13)

Despite our profit results coming in less than budget expectations, the $149,000 profit result is in line with our continuing increase over previous years despite yet another difficult year for the banking industry. With this trend expected to remain for the industry in the coming year, our plans for the 2019/20 year are one of caution. This has been taken given continuing economic difficulty and an expected increase in loan retirement rate as our older loans mature. With interest rates now at their lowest in history, a decrease in term deposit growth is expected within the current interest rate regime. Every endeavour will be made however to come in over budget and at time of writing, the first quarter of the year result see our trading profit tracking 22% ahead of plan.

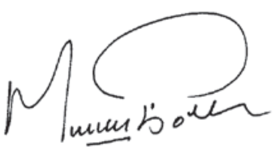
Our 2019/20 budget is summarised as follows:

Revenue from activities including MDF	$671,704
Salaries & employment costs	$352,753
Depreciation & amortisation	$23,730
Administrative & other costs	$190,672
Net Profit	**$104,549**

The company overdraft was liquidated in November 2018 and previous overdraft facility afforded by Bendigo and Adelaide Bank Limited has been withdrawn as not being needed.

The Finance Committee acknowledges the assistance of the Board of Directors, our Branch Manager, Andrew Gardner and his staff, as well as the various administrative staff of Bendigo and Adelaide Bank Limited. I also thank other Finance Committee Members, Graeme Taylor, Rohan Treasure and Geoff Rankin.

Michelle Wheeler, Chartered Accountant has again capably handled all our accounting and taxation compliance matters including BAS and IAS returns, preparation of Statutory Financial Reports and liaising with the Auditors. The work undertaken by Michelle has allowed Directors to devote more time to other aspects of the business and is truly appreciated.



Maurice Potter
Treasurer

Directors' report

For the financial year ended 30 June 2019

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

Directors

The following persons were Directors of Beaconsfield District Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Graeme James Taylor

Position	Director
Professional qualifications	Fellow of the Institute of Chartered Accountants Australia and New Zealand
Experience and expertise	Many years experience as a practising Chartered Accountant

John Edward French

Position	Director
Professional qualifications	-
Experience and expertise	Many years of business experience as a Training Services Manager

Carol Anne Porter

Position	Director
Professional qualifications	-
Experience and expertise	Many years of business experience as a Partner in Plumbing Business

Rohan James Treasure

Position	Director
Professional qualifications	-
Experience and expertise	Many years of business experience as the Managing Director of a Beaconsfield HomeTimber & Hardware

Gerald James Treasure

Position	Director
Professional qualifications	-
Experience and expertise	Many years of business experience as the Managing Director of a Beaconsfield Home Timber & Hardware (now retired)

David Edward Nutter

Position	Director
Professional qualifications	-
Experience and expertise	Many years of business experience as a Motor Vehicle Dealer (now retired)

Sam Bunting Lavery McCurdy

Position	Director
Professional qualifications	BSc (Hons) and Dip Ed
Experience and expertise	Consultant, Training Programs

Geoffrey Robin Rankin

Position	Director
Professional qualifications	Fellow of the Institute of Chartered Accountants Australia and New Zealand, CPA
Experience and expertise	Many years of business experience as a Financial Controlller in international companies, including Deputy Managing Director (now retired)

Directors (continued)

Mersou (Michael) Muaremov

Position	Director
Professional qualifications	Adv Dip Business Accounting, Registered Tax Agent, Fellow of the National Tax & Accountants Association
Experience and expertise	Many years of business experience as a Practising Accountant

Maurice Lisle Potter

Position	Company Secretary & Director
Professional qualifications	-
Experience and expertise	Many years of business experience as a Bank Officer and development roles (now retired)

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Graeme James Taylor	11	11
John Edward French	11	5
Carol Anne Porter	11	8
Rohan James Treasure	11	11
Gerald James Treasure	11	8
David Edward Nutter	11	9
Sam Bunting Lavery McCurdy	11	10
Geoffrey Robin Rankin	11	11
Mersou (Michael) Muaremov	11	9
Maurice Lisle Potter	11	10

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Maurice Potter has been the Company Secretary of Beaconsfield District Community Financial Services Limited since 2009. Maurice's qualifications and experience include 43 years service with the National Australia Bank, mostly in specialist administration and system development roles.

Principal activities

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

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

Directors' report (continued)

Review of operations

The profit of the company for the financial year after provision for income tax was $108,492 (2018 profit: $74,080), which is a 46.5% increase as compared with the previous year, due to a net reduction of operating expenses of $42,529 (7.15%) predominately for wages, salaries and employee leave expenses.

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

Dividends

An unfranked dividend of 3 cents per share was declared from profits for the year ended 30 June 2018. The dividend was paid during the year ended 30 June 2019. No dividend has been declared or paid for the year ended 30 June 2019 as yet.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Beaconsfield on 25 September 2019.

Graeme James Taylor
Director

Auditor's independence declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Beaconsfield District Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 26 September 2019

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

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

	Notes	2019 $	2018 $
Revenue	2	718,143	697,223
Expenses			
Employee benefits expense	3	(343,418)	(354,985)
Depreciation and amortisation	3	(26,283)	(28,646)
Finance costs	3	(120)	(3,542)
Bad and doubtful debts expense	3	(47)	(54)
Administration and general costs		(38,618)	(36,021)
Occupancy expenses		(66,327)	(68,487)
IT expenses		(32,977)	(31,848)
Advertising and marketing expenses		(5,777)	(11,572)
Insurance		(13,201)	(12,752)
Professional fees		(10,949)	(11,591)
		(537,717)	**(559,498)**
Operating profit before charitable donations & sponsorship		**180,426**	**137,725**
Charitable donations and sponsorships		(31,436)	(35,546)
Profit before income tax		**148,990**	**102,179**
Income tax expense	4	(40,498)	(28,099)
Profit for the year after income tax		**108,492**	**74,080**
Other comprehensive income		-	-
Total comprehensive income for the year		**108,492**	**74,080**
Profit attributable to members of the company		108,492	74,080
Total comprehensive income attributable to members of the company		**108,492**	**74,080**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	14.18	9.68

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	98,128	453
Trade and other receivables	6	52,793	62,332
Other assets	7	14,956	14,411
Total current assets		**165,877**	**77,196**
Non-current assets			
Property, plant and equipment	8	51,215	62,071
Intangible assets	9	17,755	31,495
Deferred tax assets	4	154,222	194,720
Total non-current assets		**223,192**	**288,286**
Total assets		**389,069**	**365,482**
Liabilities			
Current liabilities			
Trade and other payables	11	33,275	51,985
Borrowings	12	-	32,144
Provisions	13	47,041	74,922
Total current liabilities		**80,316**	**159,051**
Non-current liabilities			
Provisions	13	-	6,170
Total non-current liabilities		**-**	**6,170**
Total liabilities		**80,316**	**165,221**
Net assets		**308,753**	**200,261**
Equity			
Issued capital	14	748,476	748,476
Accumulated losses	15	(439,723)	(548,215)
Total equity		**308,753**	**200,261**

These financial statements should be read in conjunction with the accompanying notes.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018 (reported)		748,476	(548,215)	200,261
Change due to the adoption of AASB 9		-	-	-
Change due to the adoption of AASB 15		-	-	-
Balance at 1 July 2018 (restated)		**748,476**	**(548,215)**	**200,261**
Comprehensive income for the year				
Profit for the year		-	108,492	108,492
Other comprehensive income for the year		-	-	-
		-	**108,492**	**108,492**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	-	-
Balance at 30 June 2019		**748,476**	**(439,723)**	**308,753**
Balance at 1 July 2017		748,476	(599,346)	149,130
Comprehensive income for the year				
Profit for the year		-	74,080	74,080
Other comprehensive income for the year		-	-	-
		-	**74,080**	**74,080**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(22,949)	(22,949)
Balance at 30 June 2018		**748,476**	**(548,215)**	**200,261**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		797,901	709,078
Payments to suppliers and employees		(643,326)	(574,387)
Interest paid		(120)	(3,542)
Net cash flows provided by operating activities	**18b**	**154,455**	**131,149**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,687)	(3,876)
Net cash flows used in investing activities		**(1,687)**	**(3,876)**
Cash flows from financing activities			
Dividends paid		(22,949)	-
Net cash flows from/(used in) financing activities		**(22,949)**	**-**
Net increase in cash held		**129,819**	**127,273**
Cash and cash equivalents at beginning of financial year		(31,691)	(158,964)
Cash and cash equivalents at end of financial year	**18a**	**98,128**	**(31,691)**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For year ended 30 June 2019

These financial statements and notes represent those of Beaconsfield District Community Financial Services Limited.

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

The financial statements were authorised for issue by the Directors on 25 September 2019.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at 6/52-62 Old Princes Highway Beaconsfield.

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Employee benefits provisions

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

Income tax

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Impairment

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

(f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below."

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111Construction Contracts and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Based on our assessment, other than changes in classification, there has not been any effect on the financial report from the adoption of this standard.

(g) New accounting standards for application in future periods

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

AASB 16:

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

The standard will primarily affect the accounting for the company’s operating leases. As at the reporting date, the company has non non-cancellable operating lease commitments of $224,450. It is expected that the company will recognise a ‘right of use asset’ and lease liability for approximately this value, with rent expense replaced with depreciation and interest expense.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

(h) Change in accounting policies

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.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

a) when the entity has a right to receive the income and it can be reliably measured; or

b) upon receipt.

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments (continued)

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

a) Financial assets at amortised cost

b) Financial assets at fair value through profit and loss (FVTPL)

c) Financial assets at fair value through other comprehensive income (FVTOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Investments in equity instruments fall into this category unless the company irrevocably elects at inception to account as FVTOCI.

Financial assets at fair value through other comprehensive income

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVTOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

Impairment of financial assets

AASB 9's new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Impairment of financial assets (continued)

As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	62,332	62,332
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	51,985	51,985
Borrowings	Amortised cost	Amortised cost	-	32,144

Note 2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	673,173	666,426
	673,173	**666,426**
Other revenue		
- other revenue	44,970	30,797
	44,970	**30,797**
Total revenue	**718,143**	**697,223**

Note 2. Revenue (continued)

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

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

Interest, dividend and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

Other revenue is recognised when the right to the income has been established.

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

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the 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.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

Fee income is a share of ‘bank fees and charges’ charged to customers by Bendigo and Adeliade Bank Limited, including fees for loan applications and account transactions.

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as “Market Development Fund” (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited’s revenue streams/processes; economic factors or industry changes.

Note 2. Revenue (continued)

Form and Amount of Financial Return (continued)

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adeliade Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

	2019 $	2018 $

Note 3. Expenses

Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	317,513	305,729
- superannuation costs	26,248	26,920
- other costs	(343)	22,336
	343,418	**354,985**
Depreciation and amortisation		
Depreciation		
- leasehold improvements	7,910	7,910
- plant and equipment	4,633	6,996
	12,543	**14,906**

	2019 $	2018 $
Note 3. Expenses (continued)		
Amortisation		
- franchise fees	13,740	13,740
	13,740	**13,740**
Total depreciation and amortisation	**26,283**	**28,646**
Finance costs		
- Interest paid	120	3,542
Bad and doubtful debts expenses	47	54
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,180	5,890
	5,180	**5,890**

Operating expenses

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation and amortisation

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

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

Class of asset	Rate	Method
Leasehold improvements	7%	Straight Line
Plant and equipment	5-33%	Straight Line
Franchise Fees	20%	Straight Line

Gains/losses upon disposal of non-current assets

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

	2019 $	2018 $
Note 4. Income tax		
a. The components of tax expense comprise:		
Current tax expense	39,842	33,465
Deferred tax expense	40,814	28,099
Recoupment of prior year tax losses	(39,841)	(33,465)
Under / (over) provision of prior years	(317)	-
	40,498	**28,099**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	40,972	28,099
Add tax effect of:		
- Under / (over) provision of prior years	(317)	-
- Non-deductible expenses	(157)	-
Income tax attributable to the entity	**40,498**	**28,099**
The applicable weighted average effective tax rate is:	27.18%	27.50%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	-	-
Current tax	39,842	33,465
Under / (over) provision prior years	-	-
Recoupment of prior year tax losses	(39,842)	(33,465)
	-	**-**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	413	306
Employee provisions	12,936	15,989
Unused tax losses	156,197	196,039
	169,546	**212,334**

	2019 $	2018 $
Note 4. Income tax (continued)		
d. Deferred tax asset (continued)		
Deferred tax liabilities comprise:		
Prepayments	3,250	3,100
Property, plant & equipment	12,074	14,514
	15,324	**17,614**
Net deferred tax asset	**154,222**	**194,720**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	43,105	29,774
(Decrease) / increase in deferred tax liabilities	(1,974)	(1,675)
Under/(over) provison prior years	(317)	-
	40,814	**28,099**

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

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

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

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

	2019 $	2018 $
Note 5. Cash and cash equivalents		
Cash at bank and on hand	47,887	453
Short-term bank deposits	50,241	-
	98,128	**453**

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

The effective interest rate on short-term bank deposits was 1.95% (2018: 0%); these deposits have an average maturity of 90 days.

	2019 $	2018 $

Note 6. Trade and other receivables

Current

Trade receivables	52,793	62,332
	52,793	**62,332**

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

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

Credit risk

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

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

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2019						
Trade receivables	52,793	52,793	-	-	-	-
Total	**52,793**	**52,793**	**-**	**-**	**-**	**-**
2018						
Trade receivables	62,332	62,332	-	-	-	-
Total	**62,332**	**62,332**	**-**	**-**	**-**	**-**

	2019 $	2018 $

Note 7. Other assets

	2019 $	2018 $
Prepayments	11,816	11,271
Security bond	3,140	3,140
	14,956	**14,411**

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

Note 8. Property, plant and equipment

	2019 $			2018 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Leasehold improvements - at cost	118,595	(77,118)	41,477	118,595	(69,208)	49,387
Plant and equipment - at cost	100,934	(91,196)	9,738	99,247	(86,563)	12,684
Total property, plant and equipment	**219,529**	**(168,314)**	**51,215**	**217,842**	**(155,771)**	**62,071**

Plant and equipment

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

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

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

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

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

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None)

Note 8. Property, plant and equipment (continued)

(b) Movements in carrying amounts of PP&E

2019	Opening written down value	Additions	Depreciation	Closing written down value
Leasehold improvements	49,387	-	(7,910)	41,477
Plant and equipment	12,684	1,687	(4,633)	9,738
Total property, plant and equipment	**62,071**	**1,687**	**(12,543)**	**51,215**

2018	Opening written down value	Additions	Depreciation	Closing written down value
Leasehold improvements	57,297	-	(7,910)	49,387
Plant and equipment	15,804	3,876	(6,996)	12,684
Total property, plant and equipment	**73,101**	**3,876**	**(14,906)**	**62,071**

Note 9. Intangible assets

	2019 $			2018 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	68,713	(65,838)	2,875	68,713	(52,098)	16,615
Goodwill	14,880	-	14,880	14,880	-	14,880
Total intangible assets	**83,593**	**(65,838)**	**17,755**	**83,593**	**(52,098)**	**31,495**

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

Goodwill in not amortised, but is tested annually for impairment, or ore frequently if events or changes in circumstances indicate that they may be impaired. Goddwill represents the amount paid for the transfer of customers from other branches. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

Movements in carrying amounts

2019	Opening written down value	Amortisation	Closing written down value
Franchise fees	16,615	(13,740)	2,875
Goodwill	14,880	-	14,880
Total intangible assets	**31,495**	**(13,740)**	**17,755**

Note 9. Intangible assets (continued)

Movements in carrying amounts (continued)

2018	Opening written down value	Amortisation	Closing written down value
Franchise fees	30,355	(13,740)	16,615
Goodwill	14,880	-	14,880
Total intangible assets	**45,235**	**(13,740)**	**31,495**

Note 10. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Note 11. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	6,178	23,817
Other creditors and accruals	27,097	28,168
	33,275	**51,985**

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

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

	2019 $	2018 $

Note 12. Borrowings

Current		
Unsecured liabilities		
Bank overdraft	-	32,144
Total borrowings	**-**	**32,144**

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(a) Bank overdraft and bank loans

The company has an overdraft facility of $100,000 which is subject to normal commercial terms and conditions.

The company has no bank loan facilities.

	2019 $	2018 $

Note 13. Provisions

Current		
Employee benefits	47,041	51,973
Dividends	-	22,949
	47,041	**74,922**
Non-current		
Employee benefits	-	6,170
Total provisions	**47,041**	**81,092**

Short-term employee benefits

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

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

Note 13. Provisions (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

	2019 $	2018 $

Note 14. Share capital

764,961 Ordinary shares fully paid	764,961	764,961
Less: Equity raising costs	(16,485)	(16,485)
	748,476	**748,476**

Ordinary shares are classified as equity.

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

(a) Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	764,961	764,961
Shares issued during the year	-	-
At the end of the reporting period	**764,961**	**764,961**

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

(b) Capital management

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

Note 14. Share capital (continued)

(b) Capital management (continued)

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

(i) the Distribution Limit is the greater of:

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

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 15. Accumulated Losses

	2019 $	2018 $
Balance at the beginning of the reporting period	(548,215)	(599,346)
Profit for the year after income tax	108,492	74,080
Dividends provided for	-	(22,949)
Balance at the end of the reporting period	**(439,723)**	**(548,215)**

Note 16. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
Dividends paid or provided for during the year		
Final unfranked ordinary dividend of 0 cents per share (2018: 3 cents)	-	22,949

Note 17. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	14.18	9.68
Earnings used in calculating basic earnings per share	108,492	74,080
Weighted average number of ordinary shares used in calculating basic earnings per share	764,961	764,961

Note 17. Earnings per share (continued)

Basic earnings per share

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

Note 18. Statement of cash flows

	2019 $	2018 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	98,128	453
Less bank overdraft (Note 13)	-	(32,144)
As per the Statement of Cash Flow	**98,128**	**(31,691)**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	108,492	74,080
Non-cash flows in profit		
- Depreciation and amortisation	26,283	28,646
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	9,539	(9,374)
- (increase) / decrease in prepayments and other assets	(545)	682
- (Increase) / decrease in deferred tax asset	40,498	28,100
- Increase / (decrease) in trade and other payables	(18,710)	10,973
- Increase / (decrease) in current tax liability	-	-
- Increase / (decrease) in provisions	(11,102)	12,357
Net cash flows from operating activities	**154,455**	**145,464**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to $100,000 (2018: $100,000). This may be terminated at any time at the option of the bank. At 30 June 2019, $0 of this facility was used (2018: $32,144). Variable interest rates apply to these overdraft and bill facilities.

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

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

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.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods / services provided	Value $
Beaconsfield Home Timber & Hardware - Rohan Treasure	Purchase of general hardware items	218

The Beaconsfield District Community Financial Services Limited have not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch.

(d) Key management personnel shareholdings

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

	2019	2018
Graeme James Taylor	10,001	10,001
John Edward French	5,001	5,001
Carol Anne Porter	5,001	5,001
Rohan James Treasure	20,501	20,501
Gerald James Treasure	11,501	11,501
David Edward Nutter	5,000	5,000
Sam Bunting Lavery McCurdy	-	-
Geoffrey Robin Rankin	700	700
Mersou (Michael) Muaremov	15,501	15,501
Maurice Lisle Potter	1,501	1,501
	74,707	**74,707**

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

Note 19. Key management personnel and related party disclosures (continued)

(e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

Note 20. Community Enterprise Foundation™

The Community Enterprise Foundation™ (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which Community Bank branches can make financial contributions. These contributions made by the company are included in the charitable donations and sponsorship expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

During the current financial year, the company did not make any contributions to the foundation.

Note 21. Events after the reporting period

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

Note 22. Contingent liabilities and contingent assets

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

Note 23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being 6/52-62 Old Princes Highway, Beaconsfield, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2018: 100%).

Note 24. Commitments

	2019 $	2018 $
Operating lease commitments		
Payable:		
- no later than 12 months	43,094	42,043
- between 12 months and five years	172,378	8,759
- greater than five years	8,978	-
Minimum lease payments	**224,450**	**50,802**

The operating lease is for the business premises at 6/52-62 Old Princes Highway, Beaconsfield. The lease commenced 15 September 2014 for a 5 year term, renewable for 2 additional 5 year terms.

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

Lease payments for operating leases, wehere substantially all the risks and benefits remain with the lessor, we recognised as expenses in the periods in which they were incurred.

Note 25. Company details

The registered office and principal place of business is 6/52-62 Old Princes Highway, Beaconsfield, Victoria.

Note 26. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management

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

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 9 Financial Instruments as detailed in the accounting policies are as follows:

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	98,128	453
Trade and other receivables	6	52,793	62,332
Total financial assets		**150,921**	**62,785**
Financial liabilities			
Trade and other payables	11	33,275	51,985
Bank overdraft	12.	-	32,144
Total financial liabilities		**33,275**	**84,129**

(a) Credit risk

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

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

Credit risk exposures

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

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

Note 26. Financial instrument risk (continued)

(a) Credit risk (continued)

Credit risk exposures (continued)

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

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

(b) Liquidity risk

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

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition the company has established an overdraft facility of $100,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $100,000 (2018: $67,856).

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice.

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

Financial liability and financial asset maturity analysis:

30 June 2019	**Weighted average interest rate %**	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial assets					
Cash and cash equivalents	1%	98,128	98,128	-	-
Trade and other receivables		52,793	52,793	-	-
Total anticipated inflows		**150,921**	**150,921**	**-**	**-**
Financial liabilities					
Trade and other payables		33,275	33,275	-	-
Total expected outflows		**33,275**	**33,275**	**-**	**-**
Net inflow / (outflow) on financial instruments		**117,646**	**117,646**	**-**	**-**

Note 26. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.00%	453	453	-	-
Trade and other receivables		62,332	62,332	-	-
Total anticipated inflows		**62,785**	**62,785**	**-**	**-**
Financial liabilities					
Trade and other payables		51,985	51,985	-	-
Bank overdraft *	4.03%	32,144	32,144	-	-
Total expected outflows		**84,129**	**84,129**	**-**	**-**
Net (outflow) on financial instruments		**(21,344)**	**(21,344)**	**-**	**-**

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

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

Note 26. Financial instrument risk (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

These sensitivities assume that the movement in a particular variable is independent of other variables.

	2019		2018	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	981	981	5	5
+/- 1% in interest rates (interest expense)	-	-	(321)	(321)
	981	**981**	**(317)**	**(317)**
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 10% in equity prices	333	333	841	841
	333	**333**	**841**	**841**

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

Directors' declaration

In accordance with a resolution of the Directors of Beaconsfield District Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 39 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2019 and of the performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Graeme James Taylor
Director

Signed at Beaconsfield on 25 September 2019.

Independent audit report

rsd Audit

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BEACONSFIELD DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Beaconsfield District Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(a) the financial report of Beaconsfield District Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

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

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

Director's Responsibility for the Financial Report

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

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

Independent audit report (continued)

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent audit report (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, 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, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD AUDIT

Kathie Teasdale
Partner
Bendigo
Dated: 26 September 2019

Beaconsfield District Community Bank Branch
Shop 6, 52-62 Old Princes Highway, Beaconsfield VIC 3807
Phone: (03) 9769 5122

Franchisee: Beaconsfield District Community Financial Services Ltd
PO Box 249, Beaconsfield VIC 3807
Phone: (03) 9769 5122
ABN: 18 134 858 889

www.bendigobank.com.au/beaconsfield

(BNPAR19092) (10/17)