Beaufort Community Financial Services Limited

ABN 53 097 961 058

2019 Annual Report

Beaufort **Community Bank**® Branch
Skipton Agency

Contents

Chairman's report

For year ending 30 June 2019

2018/19 has been another excellent year for the Beaufort **Community Bank**® Branch. The ongoing provision of retail banking services in Beaufort and Skipton when others continue to close branches, $1.6 million of community investment by way of sponsorships, grants and dividends over 17 years, employment for six local families, and fostering community identity, support and engagement are all things we can be proud of.

During the year we welcomed a new Branch Manager Vicki Hancock. A big thank you to Vicki and her team for the professional and friendly manner in which they continue to serve and help our customers.

We were saddened by the recent passing of Robert Wood, our founding Chairman. Our condolences to Barb and family. We will fondly remember Rob's foresight and determination to see a **Community Bank**® branch in his community and be the beneficiaries of his legacy.

Our Young Director program is one of my favourite Beaufort **Community Bank**® company initiatives. Congratulations to Naomi Gerrard and Ashleigh Crowley. The Board has highly valued your contributions and perspectives this year.

We again held a well attended information evening to demystify the application process for our community investment program. The quality and quantity of applications has improved considerably as a result. One of the great pleasures of being a Director is partnering with community groups to help deliver their projects and dreams.

Thank you to our banking partner Bendigo and Adelaide Bank Limited. Partnering with Australia's fifth largest bank, we're proud of the contribution we make to what is one of Australia's most trusted brands. Our model has been held up as an example of a great way of doing business. We continue to work closely together 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 Beaufort **Community Bank**® Branch.

The 2019 Financial Report is a good outcome. Profit after tax is a very healthy $77,750 (2018: $100,061). This is consistent with the prior year when differences for taxation and a change to the accounting classification of returns from investments are considered. The Board's view is that it represents another steady year of sensible and considered governance. Although revenue growth remains flat, we continue to control costs and trade profitably. Pleasingly shareholders can continue to have great confidence in our balance sheet, each share is now backed by $1.60 of liquid assets.

The Board is pleased to announce a fully franked dividend of 6.5c per share, consistent with 2017 and 2018. This brings to $0.805 the total dividends per share since dividends were first paid in 2006. The dividend will be paid to shareholders in December 2019. A strong balance sheet, outstanding dividend yield and the opportunity to make a difference in your community are all compelling reasons to be a shareholder.

To our shareholders, thank you for your ongoing support. But I also put the challenge to you to help us grow your business. If you do not already bank with Beaufort **Community Bank**® Branch please consider bringing your banking business to the branch. If you already do, then please advocate on our behalf. Our Branch Manager Vicki Hancock and her team are ready to act on your referrals.

If every shareholder referred one customer to Beaufort **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.

Finally thank you to my fellow volunteer Directors and new Company Secretary Jenny Coburn for their support. It continues to be an honour to represent your interests and provide community leadership.

Tim Chandler
Chairman

Manager's report

For year ending 30 June 2019

It is my honor to present the Manager's report for the Beaufort **Community Bank**® Branch and Skipton Agency for the year ending 30 June 2019.

The last financial year has seen internal and external challenges directly impact the performance of our business. That said, we did maintain our footing balance of just below $114 million which is $428,000 up on the 2017/18 financial year, we've also distributed $134,797 to our communities and a dividend to our shareholders.

Our business partnerships with Rural Bank and the financial planning services generated solid revenue streams alongside effective monitoring of our expenses to help us achieve this result.

Our deposit growth balance took a big $4.6 million dollar hit due to the November 2018 State government directive that all their agencies must transfer investments to the Westpac Bank. Further transfers are possible.

Our opportunity for growth will come by increasing our numbers of small business and agribusiness customers along with home loans albeit the consumer market is extremely competitive and margin returns are reducing in this aggressive environment.

Without doubt the Royal Commission has changed the face of banking. Increasing customer awareness and the introduction of the New Code of Banking Practice have been two major drivers of change. The focus on 'Responsible Lending' has seen changes to policy with the intention of protecting our customers from unscrupulous operators. I strongly believe our bank policies are very protective of our customers assets and therefore our customers can have great faith and trust that the Bendigo Bank does have the customer at the heart of everything we do.

Beaufort **Community Bank**® Branch, as a franchise of Bendigo Bank, is very proud to be a branch of the fifth biggest retail bank. The opportunity to do business with your local bank, have a Branch Manager who lives and cares about your local community, knowing 80% of any profits from doing business with your **Community Bank**® branch is returned to your local community can only happen by banking with a **Community Bank**® branch. No other bank offers this.

Partnering with professional agribusiness, corporate and treasury specialists enables us to provide a mobile banking service that will support and grow our business. Thankyou Tim Landt, Tim Sinclair and David Swain for your efforts throughout this year.

I would like to acknowledge our existing customers and say thank you for your loyalty and the difference you have made to our communities. Each of us have a role to play in the growth of the Beaufort **Community Bank**® Branch. Please consider making a commitment to contact myself or my team and enquire about moving your everyday banking from 'what's always been' to the Beaufort **Community Bank**® Branch – whether you are a shareholder, small business operator, manufacturing company, Board member, or the person next door, everyone can make a difference.

My team and I commit to providing an empathetic, professional, trustworthy customer experience for all our existing customers and welcome as many new customers to our branch. Bec, Jodie, Wendy and Caylem – I would like to acknowledge your contribution to our business throughout the 2018/19 year.

The Directors of the Board provide governance and guidance to our community groups throughout the year. I would like to acknowledge Tim, Judy, Rob, Alan, Simone, Jane and Pamela for attending events throughout the year with me in support of growing our business and promoting Beaufort **Community Bank**® Branch. Thank you.

A very popular decision made this year was to install an Automatic Door to our branch. Well done, customers love it.

I must acknowledge the huge support Bendigo and Adelaide Bank Limited leadership team have provided. Leanne, Graham, Dan, Chris and Lara – thank you.

Our future is very exciting. I look forward to assisting all existing and new customers to grow their wealth and secure their financial future.

Vicki Hancock
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

Directors' report

For the financial year ended 30 June 2019

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

Directors

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

Timothy George Chandler
Chairman
Occupation: Small Business Owner
Qualifications, experience and expertise: Qualified Chartered Accountant. Holds Bachelor of Commerce.
Special responsibilities: Current Chairman and Member of Risk, Governance & Audit Committee.
Interest in shares: 2,500 Ordinary shares

Robert John Byrne
Director
Occupation: Senior Victorian Public Servant – Department of Economic Development, Jobs, Transport & Resources.
Qualifications, experience and expertise: B.Sc (Hons) Melb. M.Comm (Hons) Melbourne. Graduated 1999.
Special responsibilities: Chair of Finance, Strategy & HR Committee.
Interest in shares: 750 Ordinary shares

Alan Thomas McCartney
Director
Occupation: Farmer
Qualifications, experience and expertise: Farm Bookkeeping, Certificate in Farming (Apprenticeship), Woolclassing Certificate, Dowling Forest Cemetery Chairman, Burrumbeet Soldiers Memorial Hall Committee (Secretary) and numerous other positions held on various committees.
Special responsibilities: Chair of Community Investment & Youth Committee.
Interest in shares: 8,600

Timothy Glenton
Director *(Appointed 4 July 2018)*
Occupation: Chartered Accountant, Pitcher Partners
Qualifications, experience and expertise: Bachelor of Business/Commerce, Graduate Diploma Chartered Accounting, Master of Tax Law, Chartered Accountant, Chartered Tax Advisor. Chartered Accountant, Vice President and Secretary of community groups over several years.
Special responsibilities: Member of Finance, Strategy & HR Committtee.
Interest in shares: 1,000

Judith Marilyn Maddigan
Director *(Appointed 30 October 2018)*
Occupation: Community Affairs
Qualifications, experience and expertise: Bachelor of Commerce, Graduate Diploma (Librarianship), Masters of Librarianship & Information Services (Conservation and Archives), Former Member of Victorian Parliament (14.5 years), extensive experience on Boards – both as a member and Chair, Former Speaker of the House of representatives. Expertise in Governance and Community consultation.
Special responsibilities: Member of Community Investment & Youth Committee.
Interest in shares: Nil

Directors *(continued)*

Simone Victoria Annette Hutchings
Director *(Appointed 30 October 2018)*
Occupation: Civil Engineer
Qualifications, experience and expertise: Bachelor of Engineering (Civil), Project management, infrastructure design, community consultation and engagement.
Special responsibilities: Chair of Risk, Governance & Audit Committee.
Interest in shares: Nil

Pamela Margaret Sandlant
Director *(Appointed 25 June 2019)*
Occupation: Retired School Principal, Farmer/Director, Bookkeeper
Qualifications, experience and expertise: Diploma of Teaching (Primary), Bachelor of Education, Educational leadership, school management, Director of Corangamite Financial Services (Bendigo Bank), Community House Committee, Community Consultation.
Special responsibilities: Nil
Interest in shares: Nil

Terry McCracken
Director *(Resigned 30 April 2019)*
Occupation: Semi-Retired, Casual Prison Officer
Qualifications, experience and expertise: Diploma of Accounting, long career in agricultural sales for various well-known companies.
Special responsibilities: Member of Finance, Strategy & HR Committee.
Interest in shares: Nil

Cameron Russell
Director *(Resigned 25 January 2019)*
Occupation: Entrepreneur specialising in the Hospitality industry
Qualifications, experience and expertise: Small Business Owner, previous Board experience, experience with online marketing, business governance and human relations, development of world tourism events and Co-producer 18 part series and 12 part podcast.
Special responsibilities: Member of Community Investment & Youth Committee.
Interest in shares: 300 Ordinary shares

Jayne Louise Briody
Director & Joint Company Secretary *(Resigned 30 October 2018)*
Occupation: Medical Scientist
Qualifications, experience and expertise: Holds Bachelor of Applied Science in Medical Science. Treasurer Lexton Football Netball Club, Junior Manager of Lexton Netball Club, President of Lexton Community BBQ. Past President of Lexton Cemetery Trust.
Special responsibilities: Member of Marketing and Youth Committees
Interest in shares: 700 Ordinary shares

Directors *(continued)*

Stephen John Crook
Director *(Resigned 30 October 2018)*
Occupation: Operations Manager of the Department of Environment, Land, Water and Planning (DELWP) Customer Service Centre.
Qualifications, experience and expertise: Graduate Certificate in Public Sector Management, Diploma in Frontline Management, Certificate IV in Workplace Training including Workplace Assessor and Certificate IV in Human and Resource Management. Experience of Manager of people and resources.
Special responsibilities: Member of Finance, Governance & HR Committee.
Interest in shares: 250 Ordinary shares

Kate Louise Joss
Director *(Resigned 30 October 2018)*
Occupation: Events Manager with City of Ballarat
Qualifications, experience and expertise: Kate holds a Bachelor of Business in Tourism Management and has extensive experience in marketing and events.
Special responsibilities: Member of Marketing and Youth Committees.
Interest in shares: 500 Ordinary shares

Nicholas Robert Forbes Shady
Director *(Resigned 30 October 2018)*
Occupation: Farmer, author and business mentor
Qualifications, experience and expertise: Masters in Business and Administration. 25 years experience in farm business. Also holds many Director and Executive position on different local Boards.
Special responsibilities: Member of Finance, Governance & HR Committee.
Interest in shares: 2,000 Ordinary shares

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

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

Company Secretary

There have been four company secretaries holding the position during the period:

- Jennifer Lucille Coburn was appointed company secretary on 25 June 2019.
- Robert John Byrne was appointed as interim company secretary on 5 March 2019 and ceased on 25 June 2019.
- Ayesha Hilton was appointed company secretary on 22 March 2018 and ceased on 5 March 2019.
- Jayne Louise Briody was appointed company secretary on 2 June 2015 and ceased 30 October 2018.

Jennifer holds Bachelor of Business (Accounting) (Distinction), Diploma of Governance, Australian Institute of Company Directors, Diploma of Business (Governance) (Distinction) (Not for Profits), International Certificate of Public Participation. Jenny has served in many leadership and management roles over her career both in her professional and voluntary roles. She most recently was the Executive Officer of Deafness Foundation where she served as the Company Secretary. Jenny is a Director of Operation Toilets Inc. She has served as District Governor of Rotary District 9810 and undertaken significant leadership roles at a national level in Rotary, particularly in relation to Membership and Community Engagement.

Principal Activities

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

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

Operating results

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

	Year ended 30 June 2019 $	Year ended 30 June 2018 $
	77,750	100,061

Dividends	Year ended 30 June 2019	
	Cents	$
Dividends paid in the year:	6.5	27,979

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Community Investment & Youth		Risk, Governance & Audit		Finance, Strategy & HR	
	A	B	A	B	A	B	A	B
Timothy George Chandler	12	12	-	-	3	3	2	2
Robert John Byrne	12	12	-	-	-	-	3	3
Alan Thomas McCartney	12	12	9	9	-	-	-	-
Tim Glenton*[1]	11	6	-	-	-	-	3	1
Judith Marilyn Maddigan[2]	8	8	7	6	-	-	-	-
Simone Victoria Annette Hutchings[2]	8	8	-	-	3	3	1	1
Pamela Margaret Sandlant[3]	2	2	-	-	-	-	-	-
Terry McCracken[4]	9	7	-	-	-	-	2	1
Cameron Russell[5]	6	2	4	3	-	-	-	-
Jayne Louise Briody[6]	4	3	-	-	-	-	-	-
Stephen John Crook[6]	4	3	-	-	-	-	-	-
Kate Louise Joss*[6]	4	-	-	-	-	-	-	-
Nicholas Robert Forbes Shady[6]	4	2	2	-	-	-	-	-

A - eligible to attend
B - number attended

1 - *(Appointed 4 July 2018)*
2 - *(Appointed 30 October 2018)*
3 - *(Appointed 25 June 2019)*
4 - *(Resigned 30 April 2019)*
5 - *(Resigned 25 January 2019)*
6 - *(Resigned 30 October 2018)*
* - leave of absence approved during the period

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

There were no non-audit services provided by the auditor during the year ended 30 June 2019 (2018: Nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Signed in accordance with a resolution of the board of directors at Beaufort, Victoria on 18 September 2019.

Timothy George Chandler, Chairman	Robert John Byrne, Director

Auditor's independence declaration

PPT
AUDIT

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Beaufort Community Financial Services Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Beaufort 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:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

17 September 2019

Beaufort Community Financial Services Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	821,250	805,538
Employee benefits expense		(333,731)	(347,906)
Charitable donations, sponsorship, advertising and promotion		(132,095)	(127,880)
Occupancy and associated costs		(38,818)	(36,075)
Systems costs		(20,390)	(20,196)
Depreciation and amortisation expense	5	(23,868)	(23,402)
Finance costs	5	(3,560)	(3,581)
General administration expenses		(130,645)	(108,361)
Profit before income tax expense		138,143	138,137
Income tax expense	6	(60,393)	(38,076)
Profit after income tax expense		77,750	100,061
Earnings per share		¢	¢
Basic earnings per share	26	18.06	23.25
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Net gain on fair value increment of investments	17	7,616	-
Other comprehensive income for the year, net of income tax		7,616	-
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		85,366	100,061

The accompanying notes form part of these financial statements

Beaufort Community Financial Services Limited
Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	348,706	265,387
Current tax assets	12	-	1,584
Trade and other receivables	9	68,308	66,044
Total current assets		417,014	333,015
Non-current assets			
Investment portfolio	8	340,723	317,896
Property, plant and equipment	10	110,863	107,853
Intangible assets	11	30,020	41,212
Deferred tax asset	12	-	17,739
Total non-current assets		481,606	484,700
Total assets		898,620	817,715
LIABILITIES			
Current liabilities			
Trade and other payables	13	41,718	36,685
Current tax liabilities	12	1,417	-
Borrowings	14	5,372	5,777
Provisions	15	38,119	32,365
Total current liabilities		86,626	74,827
Non-current liabilities			
Borrowings	14	22,507	15,103
Provisions	15	427	5,445
Deferred tax liability	12	9,333	-
Total non-current liabilities		32,267	20,548
Total liabilities		118,893	95,375
Net assets		779,727	722,340
EQUITY			
Issued capital	16	430,440	430,440
Reserves	17	34,516	-
Retained earnings	18	314,771	291,900
Total equity		779,727	722,340

The accompanying notes form part of these financial statements

Beaufort Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	Issued capital $	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2017		430,440	-	219,818	650,258
Total comprehensive income for the year		-	-	100,061	100,061
Transactions with owners in their capacity as owners:					
Transfer from retained earnings	17	-	-	-	-
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	24	-	-	(27,979)	(27,979)
Balance at 30 June 2018		**430,440**	**-**	**291,900**	**722,340**
Balance at 1 July 2018		430,440	-	291,900	722,340
Total comprehensive income for the year		-	7,616	77,750	85,366
Transactions with owners in their capacity as owners:					
Transfer from retained earnings	17	-	26,900	(26,900)	-
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	24	-	-	(27,979)	(27,979)
Balance at 30 June 2019		**430,440**	**34,516**	**314,771**	**779,727**

The accompanying notes form part of these financial statements

Beaufort Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		901,086	871,394
Payments to suppliers and employees		(729,926)	(728,840)
Interest received		2,640	2,468
Interest paid		(3,560)	(3,581)
Income taxes paid		(33,209)	(42,084)
Net cash provided by operating activities	19	137,031	99,357
Cash flows from investing activities			
Payments for property, plant and equipment		(34,046)	(4,452)
Proceeds from property, plant and equipment		13,636	-
Payments for intangible assets		-	(46,144)
Payments for investments		(12,322)	(18,276)
Net cash used in investing activities		(32,732)	(68,872)
Cash flows from financing activities			
Proceeds from borrowings		34,034	-
Repayment of borrowings		(27,035)	(5,598)
Dividends paid	24	(27,979)	(27,979)
Net cash used in financing activities		(20,980)	(33,577)
Net increase/(decrease) in cash held		83,319	(3,092)
Cash and cash equivalents at the beginning of the financial year		265,387	268,479
Cash and cash equivalents at the end of the financial year	7(a)	348,706	265,387

The accompanying notes form part of these financial statements

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

The financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Comparative figures

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

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

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

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

Note 1. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

AASB 9 Financial Instruments

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

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

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $83,690.

Note 1. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

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

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

b) Revenue

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

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

Note 1. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Note 1. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Note 1. Summary of significant accounting policies *(continued)*

c) Income tax *(continued)*

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	6 - 30	years
- plant and equipment	4 - 8	years
- motor vehicles	11	years

Note 1. Summary of significant accounting policies *(continued)*

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

Note 1. Summary of significant accounting policies *(continued)*

k) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

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

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

Note 1. Summary of significant accounting policies *(continued)*

k) Financial instruments *(continued)*

Impairment (continued)

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

Note 1. Summary of significant accounting policies *(continued)*

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

Note 2. Financial risk management *(continued)*

(iii) Credit risk *(continued)*

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

Expected credit loss assessment for other customers

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

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%. The current bank bill swap rate is 1.8500% (2018: 1.8227%)

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

Note 3. Critical accounting estimates and judgements *(continued)*

Impairment of assets (continued)

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

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities

Revenue from ordinary activities	Note	2019	2018
		$	$
Operating activities:			
- gross margin		611,023	604,396
- services commissions		119,980	92,128
- fee income		46,874	54,944
- market development fund		25,000	25,000
Total revenue from operating activities		802,877	776,468
Non-operating activities:			
- interest received		2,693	2,537
- other revenue (IOOF portfolio - income)		15,882	21,757
- increase in net market value of financial assets (FVTPL)	17	-	4,027
- other revenue (sundry income)		(202)	749
Total revenue from non-operating activities		18,373	29,070
Total revenues from ordinary activities		821,250	805,538

The company has made an irrevocable election under *AASB 9 Financial Instruments* to recognise fair value movements of investments through Other Comprehensive Income. The fair value measurement was previously recognised through Profit or Loss, this has now been reclassified from opening retained earnings and recognised through reserves.

Note 5. Expenses	Note	2019	2018
		$	$
Depreciation of non-current assets:			
- plant and equipment		2,114	1,078
- leasehold improvements		5,864	6,452
- motor vehicle		4,698	4,680
Amortisation of non-current assets:			
- franchise agreement		2,239	2,239
- franchise renewal fee		8,953	8,953
		23,868	23,402
Finance costs:			
- interest paid		3,560	3,581
Bad debts		16	31
Loss on disposal of assets		4,724	-

Note 6. Income tax expense			
The components of tax expense comprise:			
- Current tax		36,210	33,506
- Movement in deferred tax		4,551	4,570
- Carried-forward capital losses		164	-
- Reclassification of investments recognised through OCI		(2,889)	-
- Adjustment to reconcile investment unrealised gains	17	22,357	-
		60,393	38,076
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		138,143	138,137
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)		37,989	37,988
Add tax effect of:			
- non-deductible expenses		46	88
- timing difference expenses		(1,825)	(4,570)
		36,210	33,506
Movement in deferred tax		4,551	4,570
Carried-forward capital losses		164	-
Reclassification of investments recognised through OCI		(2,889)	-
Adjustment to reconcile investment unrealised gains		22,357	-
		60,393	38,076

Note 7. Cash and cash equivalents	Note	2019	2018
		$	$
Cash at bank and on hand		212,461	137,783
Term deposits		136,245	127,604
		348,706	265,387

Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand		212,461	137,783
Term deposits		136,245	127,604
		348,706	265,387

Note 8. Investment portfolio

IOOF Portfolio			
- Cash Account		15,734	6,476
- AMP Cap Global Infra Securities (Hedged)-Class A		13,952	8,729
- AMP Capital Global Property Securities Fund		-	12,535
- Bendigo Balanced Index Fund		175,860	162,935
- Bendigo Diversified Fixed Interest Fund		40,939	36,302
- CFS Global Listed Securities Class A		10,252	-
- BlackRock Australian Equity Opportunities Fund		-	9,825
- Epoch Global Equity Shareholder Yield (Hedged)		26,688	-
- Grant Samuel Epoch Global Equity Shareholder Yield		-	24,473
- Payden Global Income Opportunities Fund		9,858	8,852
- Sandhurst IML Industrial Share Fund		16,699	15,853
- Sandhurst Strategic Income Fund (Class B)		6,494	6,329
- T.Rowe Price Global Equity Fund		24,247	25,587
	20	340,723	317,896

The company has made an irrevocable election under *AASB 9 Financial Instruments* to recognise fair value movements of investments through Other Comprehensive Income. The fair value measurement was previously recognised through Profit or Loss, this has now been reclassified from opening retained earnings and recognised through reserves.

Note 9. Trade and other receivables

Trade receivables		61,710	55,595
Prepayments		6,477	10,380
Other receivables and accruals		121	69
		68,308	66,044

Note 10. Property, plant and equipment	2019	2018
	$	$
Leasehold improvements		
At cost	247,563	247,563
Less accumulated depreciation	(172,689)	(166,825)
	74,874	80,738
Plant and equipment		
At cost	31,415	28,223
Less accumulated depreciation	(23,436)	(21,322)
	7,979	6,901
Motor vehicles		
At cost	30,855	27,926
Less accumulated depreciation	(2,845)	(7,712)
	28,010	20,214
Total written down amount	110,863	107,853

Movements in carrying amounts:

	2019	2018
Leasehold improvements		
Carrying amount at beginning	80,738	87,190
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,864)	(6,452)
Carrying amount at end	74,874	80,738
Plant and equipment		
Carrying amount at beginning	6,901	3,527
Additions	3,192	4,452
Disposals	-	-
Less: depreciation expense	(2,114)	(1,078)
Carrying amount at end	7,979	6,901
Motor vehicles		
Carrying amount at beginning	20,214	24,894
Additions	30,854	-
Disposals	(18,360)	-
Less: depreciation expense	(4,698)	(4,680)
Carrying amount at end	28,010	20,214
Total written down amount	110,863	107,853

Note 11. Intangible assets	2019	2018
	$	$
Franchise fee		
At cost	161,192	161,192
Less: accumulated amortisation	(155,188)	(152,950)
	6,004	8,242
Franchise renewal fee		
At cost	44,769	44,769
Less: accumulated amortisation	(20,753)	(11,799)
	24,016	32,970
Total written down amount	30,020	41,212

Note 12. Tax		
Current:		
Income tax payable/(refundable)	1,417	(1,584)
Non-current:		
Deferred tax assets		
- accruals	934	894
- employee provisions	10,600	10,397
- carried-forward capital losses	164	-
- investment portfolio	-	12,155
	11,698	23,446
Deferred tax liability		
- accruals	34	19
- property, plant and equipment	7,905	5,688
- investment portfolio	13,092	-
	21,031	5,707
Net deferred tax asset/(liability)	(9,333)	17,739
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	27,072	4,571

Note 13. Trade and other payables		
Current:		
Trade creditors	5,984	743
Other creditors and accruals	35,734	35,942
	41,718	36,685

Note 14. Borrowings	Note	2019	2018
		$	$
Current:			
Chattel mortgage	21	5,372	5,777
Non-current:			
Chattel mortgage	21	22,507	15,103

The company entered into a chattel mortgage with the final instalment due in November 2020. Interest is recognised at an implicit rate of 4.84%. The loan is secured by a fixed and floating charge over the company's assets.

Note 15. Provisions		
Current:		
Provision for annual leave	22,264	16,488
Provision for long service leave	15,855	15,877
	38,119	32,365
Non-current:		
Provision for long service leave	427	5,445

Note 16. Issued capital		
430,440 ordinary shares fully paid (2018: 430,440)	430,440	430,440
	430,440	430,440

Rights attached to shares

(a) *Voting rights*

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

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

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

Note 16. Issued capital *(continued)*

Rights attached to shares *(continued)*

(b) *Dividends*

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

(c) *Transfer*

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 258. As at the date of this report, the company had 285 shareholders (2018: 286 shareholders).

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

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

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

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

Note 17. Reserves	2019	2018
	$	$
Balance at the beginning of the financial year	-	-
Net gain arising on fair value of investments	7,616	-
Adjustment for prior period movements recognised in profit or loss	26,900	-
Balance at the end of the financial year	34,516	-

The company has made an irrevocable election under *AASB 9 Financial Instruments* to recognise fair value movements of investments through Other Comprehensive Income. The fair value measurement was previously recognised through Profit or Loss, this has now been reclassified from opening retained earnings and recognised through reserves.

The adjustment through retained earnings also includes the current year reconciliation of the tax cost base of the investments held with respect to the unrealised gains at balance date.

Note 18. Retained earnings		
Balance at the beginning of the financial year	291,900	219,818
Net profit from ordinary activities after income tax	77,750	100,061
Derecognition of fair value through profit or loss now through other comprehensive income	(26,900)	-
Dividends provided for or paid	(27,979)	(27,979)
Balance at the end of the financial year	314,771	291,900

Note 19. Statement of cash flows	Note		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities			
Profit from ordinary activities after income tax		77,750	100,061
Non cash items:			
- depreciation		12,676	12,210
- amortisation		11,192	11,192
- gain in value of investment	17	-	(4,027)
- loss on disposal of assets		4,724	-
Changes in assets and liabilities:			
- increase in receivables		(2,264)	(9,470)
- decrease in other assets		19,323	2,986
- (increase)/decrease in payables		5,034	(7,009)
- increase in provisions		735	408
- (increase)/decrease in tax liabilities		7,861	(6,994)
Net cash flows provided by operating activities		137,031	99,357

Note 20. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
FVTOCI financial assets				
Listed investments:				
- investment portfolio	340,723	-	-	340,723
	340,723	-	-	340,723
Total assets at fair value	340,723	-	-	340,723

At 30 June 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
FVTPL financial assets				
Listed investments:				
- investment portfolio	317,896	-	-	317,896
	317,896	-	-	317,896
Total assets at fair value	317,896	-	-	317,896

There were no transfers between Level 1 and Level 2 during the reporting period. The company’s policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of FVTPL/FVTOCI financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

The company has made an irrevocable election under *AASB 9 Financial Instruments* to recognise fair value movements of investments through Other Comprehensive Income. The fair value measurement was previously recognised through Profit or Loss, this has now been reclassified from opening retained earnings and recognised through reserves.

Note 21. Leases

	2019	2018
	$	$
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	6,971	6,987
- between 12 months and 5 years	24,158	15,898
- greater than 5 years	-	-
Minimum lease payments	31,129	22,885
Less future finance charges	(3,250)	(2,005)
Present value of minimum lease payments	27,879	20,880

During the period, the company traded-in its Ford Kuga for a Ford Escape. The trade-in extinguished its former chattel mortgage and the company entered into a new chattel mortgage for the Ford Escape.

The finance lease is a chattel mortgage for a Ford Escape. The contract is for a four-year lease with 48 equal monthly repayments and a final balloon payment of $6,150. The final payment is due in February 2023. Interest is recognised at an implicit rate of 4.28%. The loan is secured by a fixed and floating charge over the company's assets.

	2019	2018
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	10,916	10,431
- between 12 months and 5 years	17,284	27,816
- greater than 5 years	-	-
	28,200	38,247

The property lease is a non-cancellable lease with a five-year term which was entered into on 1 February 2017, with rent payable monthly in advance. The lease has the option for one further terms of five years.

Note 22. Auditor's remuneration

	2019	2018
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,350	5,150
	5,350	5,150

Note 23. Director and related party disclosures

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

Timothy George Chandler
Robert John Byrne
Alan Thomas McCartney
Tim Glenton *(Appointed 4 July 2018)*
Judith Marilyn Maddigan *(Appointed 30 October 2018)*
Simone Victoria Annette Hutchings *(Appointed 30 October 2018)*
Pamela Margaret Sandlant *(Appointed 25 June 2019)*
Terry McCracken *(Resigned 30 April 2019)*
Cameron Russell *(Resigned 25 January 2019)*
Jayne Louise Briody *(Resigned 30 October 2018)*
Stephen John Crook *(Resigned 30 October 2018)*
Kate Louise Joss *(Resigned 30 October 2018)*
Nicholas Robert Forbes Shady *(Resigned 30 October 2018)*

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

Transactions with related parties:	2019 $	2018 $
The company secretary has provided the company with company secretarial and board support services from 1 May 2019. The total benefit received was:	6,600	-

Directors Shareholdings	2019	2018
Timothy George Chandler	2,500	2,500
Robert John Byrne	750	750
Alan Thomas McCartney	8,600	8,600
Tim Glenton *(Appointed 4 July 2018)*	1,000	-
Judith Marilyn Maddigan *(Appointed 30 October 2018)*	-	-
Simone Victoria Annette Hutchings *(Appointed 30 October 2018)*	-	-
Pamela Margaret Sandlant *(Appointed 25 June 2019)*	-	-
Terry McCracken *(Resigned 30 April 2019)*	-	-
Cameron Russell *(Resigned 25 January 2019)*	300	300
Jayne Louise Briody *(Resigned 30 October 2018)*	700	700
Stephen John Crook *(Resigned 30 October 2018)*	250	250
Kate Louise Joss *(Resigned 30 October 2018)*	500	500
Nicholas Robert Forbes Shady *(Resigned 30 October 2018)*	2,000	2,000

There was no movement in directors shareholdings during the year.

Note 24. Dividends provided for or paid

	2019	2018
	$	$
a. Dividends paid during the year		
Current year dividend		
Fully franked dividend - 6.5 cents (2018: 6.5 cents) per share	27,979	27,979
b. Dividends proposed and not recognised as a liability		
Current year final dividend		
Fully franked dividend - Nil cents (2018: 6.5 cents) per share	-	27,979

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

c. Franking account balance

	2019	2018
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	172,715	149,013
- franking credits that will arise from payment of income tax as at the end of the financial year	9,423	7,528
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	182,138	156,541
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	182,138	156,541

Note 25. Key management personnel disclosures

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

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

Community Bank® Directors' Privileges Package

The board has adopted the Community Bank® Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank® branch at Beaufort. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $nil for the year ended 30 June 2019 (2018: $nil).

Note 26. Earnings per share	2019	2018
	$	$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	77,750	100,061
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	430,440	430,440

Note 27. Events occurring after the reporting date

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

Note 28. Contingent liabilities and contingent assets

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

Note 29. Community Enterprise Foundation

During the period the company contributed funds to the Community Enterprise Foundation (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2019 is as follows:

	2019	2018
	$	$
Opening balance	95,147	51,567
Contributions	78,947	85,790
Grants paid	(81,174)	(38,430)
Interest	839	509
Management fees	(3,947)	(4,289)
Balance available for distribution	89,812	95,147

Note 30. Segment reporting

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

Note 31. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
17 Lawrence Street	17 Lawrence Street
Beaufort Victoria 3373	Beaufort Victoria 3373

Note 32. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$	$	$	$	$	%	%
Financial assets												
Cash and cash equivalents	212,461	137,783	136,245	127,604	-	-	-	-	-	-	0.40	0.43
Receivables	-	-	-	-	-	-	-	-	61,710	55,595	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,372	5,777	22,507	15,103	-	-	-	-	5.93	2.59
Payables	-	-	-	-	-	-	-	-	5,984	743	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019	2018
	$	$
Change in profit/(loss)		
Increase in interest rate by 1%	3,208	2,445
Decrease in interest rate by 1%	(3,208)	(2,445)
Change in equity		
Increase in interest rate by 1%	3,208	2,445
Decrease in interest rate by 1%	(3,208)	(2,445)

Directors' declaration

In accordance with a resolution of the directors of Beaufort Community Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* , including:

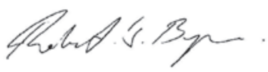
(i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

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

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Timothy George Chandler, Chairman

Robert John Byrne, Director

Signed on the 18th of September 2019.

PPT
AUDIT

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Independent Auditor's Report
To the Directors of Beaufort Community Financial Services Limited

Opinion

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

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

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

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

Basis for Opinion

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

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

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

Responsibilities of Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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Independent Auditor's Report
To the Directors of Beaufort Community Financial Services Limited

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Director's 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.

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

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

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.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

Jason D. Hargreaves
Director

Signed at Ballarat
19th September 2019

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17 Lawrence Street, Beaufort VIC 3373
Phone: (03) 5349 2322

Skipton Agency
17 Montgomery Street, Skipton VIC 3361
Ph: (03) 5340 2105

Franchisee: Beaufort Community Financial Services Limited
17 Lawrence Street, Beaufort VIC 3373
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www.bendigobank.com.au/beaufort

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