Annual Report 2019

Beaumaris Community Financial Services Ltd

ABN 25 100 506 643

Beaumaris Community Bank Branch

Contents

Chair’s report

For year ending 30 June 2019

This year has seen a solid full year result.

- Your business grew by **30.2%** to **$151.0M**. Loans grew by 1.4%, while our Deposits were up by 25.7%. Wealth and Other Products grew by 3.1%,
- We reported a Net Profit before Income Tax and Community Investments of **$110,024**. This is up **91%** on the previous year,
- Shareholder Equity grew by **8.7%**,
- Earnings per share increased from 4.78 cents in 2018 to **9.99** cents,
- We contributed **$46,912** back into our Community. This now brings our total Community Investment since inception to **$460,000** as at 30 June 2019.

This performance is against the backdrop of significant industry changes brought about by the financial services Royal Commission. In a year that revealed some terrible behavior by some companies, it’s important to remind ourselves of why we are here – to help our customers and our community to be prosperous. If they prosper, so do we.

Dividend:

While we focus on investing our profits in the community, it’s important that you, our shareholders, should also share in the profits. Your directors are therefore pleased to advise that we are declaring an unfranked dividend of five cents per share from earnings in the 2018/19 financial year.

Staff:

The success of the business is due to the qualities of our Branch Manager and his team. Lew has built a professional and friendly team that exemplifies our key point of difference in the market place, that is, providing our customers with an unrivalled banking service experience.

I thank the Branch Team consisting of Robert Pastorello, Sharan Talbot, Rebecca Pettigrew, Thomas Caldwell and Diana Mete for their commitment to our customers and to the company and for their hard work and great community spirit.

In particular, I’d like to thank Lew for his contribution both inside and outside of the branch. His engagement with many community groups and his role as President of the Concourse Traders Association has certainly raised our profile in the community and attracted business to the branch as well as helping to deliver some great local events.

Directors:

Paul Widdis stood down from the Board in August last year. I thank Paul for his contribution particularly in the areas of marketing and sponsorships.

I also thank the other Directors for their time and contribution during the year. We have a Board that reflects a wonderful diversity of skills, community connections and gender.

Chair’s report (continued)

The Future:

If the last 12 months are anything to go by, there will be some big changes in the financial services industry going forward. Technology, tighter margins, increased regulation and a more open banking system will create new challenges for our Bank. The Board will work with our franchise partner, Bendigo and Adelaide Bank Limited, to ensure that we continue to deliver returns to our shareholders and our community.

Chris Shaw
Chair

Manager’s report

For year ending 30 June 2019

This year’s Annual General Meeting marks my fourth as your Branch Manager at the Beaumaris Community Bank Branch.

Despite all the adverse publicity following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Bendigo Bank continues to achieve industry-leading results for its outstanding customer satisfaction and brand recognition. Bendigo Bank was number 1 in seven categories in the 2019 MOZO People’s Choice Awards and is in the top 10 most trusted brands in Australia according to Roy Morgan.

Why is this relevant to the Beaumaris Community Bank Branch of Bendigo and Adelaide Bank Limited? At your local branch we believe we have played our part in Bendigo Bank’s ability to not only achieve these awards, but by supporting the Bank’s vision to be Australia’s bank of choice. Our daily conversations and discussions place the customer at the centre of everything we do and say.

Contributing to healthy communities is as important to us, as it is to our customers. Sharing value with everyone connected to our business remains a key point of difference at the Beaumaris Community Bank Branch.

Our Board Chair, Chris Shaw, has already outlined some key financial results. Again, we were able to return a profit based on our improved footings growth along with a disciplined approach to containing our operational expenditure.

To our volunteer Board, led by Chris, thank you for your continued support and sage advice.

On a personal note; Chris allows me to speak freely and continues to find the time to assist me undertake a myriad of community engagements. Company Secretary, Irena Peoples, should also be acknowledged here as a strong conduit between the branch and the Board.

I would like to take a moment to thank my branch team of Robert, Sharan, Rebecca, Thomas and Diana. This year, Sharan was promoted to the role of Customer Relationship Officer replacing Rochelle. We also had a Beaumaris local, Diana, join our Customer Service Officer team.

Stephanie Russell is our new Regional Manager and we look forward to working with her.

The Bank’s strategy to the year 2022 includes reducing complexity, investing in capability and telling our story. You, our shareholders have been at the frontline in “telling our story” for 17 years since we opened in 2002, and remain our best team of story-telling advocates. So please keep up the great work.

Lewis Rimington

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 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

Director's report

For year ending 30 June 2019

The directors present their report on Beaumaris Community Financial Services Limited for the financial year ended 30 June 2019.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Appointed/Resigned
Chris Shaw	
Peter Demura	
Darren Trew	
Irena Peoples	
Janina Puttick	
Anjana Bhatt	
Craig Tucker	
Paul Widdis	Resigned 5 August 2018

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on directors

The names and details of each person who has been a director during the year and to the date of this report are:

Chris Shaw	
Position:	Chairperson, Director
Qualifications:	B.Comm, Grad Dip Bus Admin
Experience and expertise:	Many years experience in the fashion industry, initially in manufacturing and then import/distribution. Board member since 2013.

Peter Demura	
Position:	Deputy Chair from 4 December 2018, Director
Qualifications:	MBA, MAppFin, GAICD, B. Comm [Hons]
Experience and expertise:	Strategy, Economics and Risk Consultant. Previously held key management roles in Rio Tinto, DDM Capital , PwC and BHP Billiton. Board member since 2016.

Darren Trew	
Position:	Treasurer from 5 February 2019, Director
Qualifications:	Bachelor of Economics and Commerce, FCA
Experience and expertise:	Principal in a professional accounting and tax practice for many years. Board member since 2018.

Director’s report (continued)

Information on directors

Irena Peoples	
Position:	Secretary from 11 June 2018, Director
Qualifications:	B Sci / B Eng [Hons], Master of Global Automotive and Manufacturing Engineering
Experience and expertise:	Irena is a Mechanical Engineer experienced in Project Management, who runs her own business advising importers of whitegoods about registering for an Australian Energy or Water Efficiency Label. Board member since 2017. Irena is currently also Company Secretary for Ormond-McKinnon Community Enterprises Ltd (operators of the Ormond-McKinnon Community Bank Branch).
Janina Puttick	
Position:	Director, Bookkeeper
Qualifications:	BSc (Chemistry), BBs (Accounting), CPA
Experience and expertise:	Accounting and business administration, Director of Maximum Business Solutions Pty Ltd, Australasian Learning Institute Pty Ltd and Great Barrier Pty Ltd. Board member since 2016.
Anjana Bhatt	
Position:	Director
Qualifications	BA(Hons) Arts, BA(Hons) Law, Admitted to practice as a solicitor in both England, and Victoria, Australia
Experience and expertise:	Anjana has a career spanning more than 25 years as a corporate lawyer in investment banking. She has substantial expertise in corporate commercial law and in particular financial derivatives and has practiced in a number of jurisdictions. Board member since 2018.
Craig Tucker	
Position:	Director
Qualifications:	FAICD, Master of Theology, Grad Cert Transport & Distribution, Diploma in Public Administration, Associate Diploma in Management, Diploma in Project Management
Experience and expertise:	Senior management roles, currently Chief Information Officer at The Salvation Army, Fellow at the Australian Institute of Company Directors. Board member since 2018.
Paul Widdis	
Position:	Director - Resigned 5 August 2018
Qualifications:	-
Experience and expertise:	Very experienced in leading a sales and marketing organisation.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

The Company Secretary is Irena Peoples. Irena has held the position of Company Secretary of Beaumaris Community Financial Services Limited since 2018. Irena is also Company Secretary for Ormond-McKinnon Community Enterprises Ltd (operators of the Ormond-McKinnon Community Bank Branch)

Director’s report (continued)

Principal activities

The principal activity of Beaumaris Community Financial Services Limited during the financial year was providing Community Bank branch Services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

No significant changes in the nature of the Company's activity occurred during the financial year.

Operating results

The profit of the Company after providing for income tax amounted to $ 58,437 (2018: $ 27,990).

Review of operations

A review of the operations of the Company during the financial year and the results of those operations show that the profit of the Company before income tax was $ 63,112 (2018: $ 41,334) which resulted in an increase in profits compared to the prior year. This result is driven by the increase in revenue due to the change in footings and FTP pricing.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Dividends paid or recommended

Finance committee recommended a 5 cent dividend per share to be paid from profits for the year ended 30 June 2018. The dividend was 100% unfranked and approved by the Board on 7 August 2018 to all shareholders registered as at the record date of 15 September 2018. Dividend payable balance as at 30 June 2019 is $ 3,350.

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments and results

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

Benefits received directly or indirectly by officers

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.

Environmental matters

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Director’s report (continued)

Meetings of directors

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

	Board	
	Directors' Meetings	
	Number eligible to attend	Number attended
Chris Shaw	11	8
Peter Demura	11	9
Darren Trew	11	9
Irena Peoples	11	11
Janina Puttick	11	4
Anjana Bhatt	11	7
Craig Tucker	11	8
Paul Widdis	1	-

Indemnification and insurance of officers and auditors

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.The company also has Officers insurance for the benefit to Officers of the company against any liability occurred by the Officer which includes the Officer’s liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer’s duties.

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

Proceedings on behalf of Company

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

Non-audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in the notes to the accounts.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2019 has been received and can be found on page 6 of the financial report.

Director's report (continued)

Signed in accordance with a resolution of the Board of Directors:

Chair: ....

Chris Shaw

Dated 3 September 2019

Auditor’s Independence Declaration

ASHFORDS
AUDIT AND ASSURANCE

Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Suite 5, 14 Garden Blvd, Dingley VIC 3172
PO Box 1462, Clayton South VIC 3169
(03) 9551 2822
info@ashfords.com.au

Beaumaris Community Financial Services Limited

ABN: 25 100 506 643

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Beaumaris 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.

Ashfords Audit and Assurance

Ashfords Audit and Assurance Pty Ltd
Chartered Accountants

Ryan H. Dummett
Director

3 September 2019

Suite 5,14 Garden Boulevard, Dingley VIC 3172

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For year ending 30 June 2019

	Note	2019 $	2018 $
Revenue	4	**755,691**	668,742
Employee benefits expense		**(422,373)**	(398,223)
Depreciation and amortisation expense	5	**(21,969)**	(22,809)
Advertising and marketing		**(16,774)**	(14,933)
Occupancy expenses		**(65,991)**	(59,952)
IT Expenses		**(35,028)**	(36,824)
Professional fees		**(28,076)**	(26,644)
Bad debts expense		**(142)**	(178)
Insurance		**(13,377)**	(11,745)
Charitable donations and sponsorships		**(46,912)**	(16,256)
Other operating expenses		**(41,937)**	(39,842)
Finance costs	5	**-**	(2)
Profit before income tax		**63,112**	41,334
Income tax expense	6	**(4,675)**	(13,344)
Profit after income tax		**58,437**	27,990
Total comprehensive income for the year		**58,437**	27,990

	Note	2019	2018
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the Company:		**¢**	**¢**
Basic earnings per share	17	9.99	4.78

The Company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations.

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of Financial Position

For year ending 30 June 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**125,471**	117,464
Trade and other receivables	8	**69,053**	63,448
Financial assets	9	**206,778**	175,000
Other assets	10	**5,565**	3,627
TOTAL CURRENT ASSETS		**406,867**	359,539
NON-CURRENT ASSETS			
Property, plant and equipment	11	**81,104**	90,428
Deferred tax assets	15	**19,746**	23,968
Intangible assets	12	**35,693**	46,712
TOTAL NON-CURRENT ASSETS		**136,543**	161,108
TOTAL ASSETS		**543,410**	520,647
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**50,328**	56,842
Employee benefits	14	**15,458**	11,335
TOTAL CURRENT LIABILITIES		**65,786**	68,177
NON-CURRENT LIABILITIES			
Trade and other payables	13	**25,653**	38,479
Deferred tax liabilities	15	**15,671**	15,218
Employee benefits	14	**11,948**	8,244
TOTAL NON-CURRENT LIABILITIES		**53,272**	61,941
TOTAL LIABILITIES		**119,058**	130,118
NET ASSETS		**424,352**	390,529
EQUITY			
Issued capital		**526,103**	526,103
Retained earnings		**(101,751)**	(135,574)
		424,352	390,529
TOTAL EQUITY		**424,352**	390,529

The Company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations.

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of Changes in Equity

For year ending 30 June 2019

2019

	Ordinary Shares $	**Retained Earnings $**	**Total $**
Balance at 1 July 2018	**526,103**	**(135,574)**	**390,529**
Profit attributable to members of the entity	**-**	**58,437**	**58,437**
Dividends paid or provided for	**-**	**(24,614)**	**(24,614)**
Balance at 30 June 2019	**526,103**	**(101,751)**	**424,352**

2018

	Ordinary Shares $	**Retained Earnings $**	**Total $**
Balance at 1 July 2017	526,103	(163,564)	362,539
Profit attributable to members of the entity	-	27,990	27,990
Balance at 30 June 2018	526,103	(135,574)	390,529

The Company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations.

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

Financial Statements (continued)

Statement of Cash Flows

For year ending 30 June 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**823,023**	739,160
Payments to suppliers and employees		**(762,273)**	(694,245)
Interest received		**198**	2,663
Net cash provided by/(used in) operating activities	24	**60,948**	47,578
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		**(1,625)**	-
Payment of investments		**(30,052)**	(21,499)
Net cash used by investing activities		**(31,677)**	(21,499)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend paid		**(21,264)**	-
Net cash used by financing activities		**(21,264)**	-
Net increase/(decrease) in cash and cash equivalents held		**8,007**	26,079
Cash and cash equivalents at beginning of year		**117,464**	91,385
Cash and cash equivalents at end of financial year	7	**125,471**	117,464

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2019

The financial report covers Beaumaris Community Financial Services Limited as an individual entity. Beaumaris Community Financial Services Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of Beaumaris Community Financial Services Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 3 September 2019.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001.*

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Economic dependence

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Beaumaris, 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 branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

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

2 Summary of Significant Accounting Policies

(b) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that 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.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Revenue and other income

For comparative year

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

2 Summary of Significant Accounting Policies

(d) Revenue and other income

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

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the Community Bank model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the Community Bank model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This included changes to the financial return for Community Bank companies from 1 July 2016. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products is through margin share. Margin on core banking products is shared on a 50/50 basis.

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

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both means the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

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

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. This also included Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these became margin products from 1 July 2016.

2 Summary of Significant Accounting Policies

(d) Revenue and other income

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.

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.

As discussed above in relation to Project Horizon, among other things, there were changes in the financial return for Community Bank companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

<u>For current year</u>

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

2 Summary of Significant Accounting Policies

(d) Revenue and other income

The revenue recognition policies for the principal revenue streams of the Company are:

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the Community Bank model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the Community Bank model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This included changes to the financial return for Community Bank companies from 1 July 2016. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products is through margin share. Margin on core banking products is shared on a 50/50 basis.

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

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both means the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

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

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. This also included Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these became margin products from 1 July 2016.

Notes to the financial statements (continued)

2 Summary of Significant Accounting Policies

(d) Revenue and other income

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.

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.

As discussed above in relation to Project Horizon, among other things, there were changes in the financial return for Community Bank companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

Gain on disposal of non-current assets

When a non-current asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

(e) Finance costs

Finance cost includes all interest-related expenses, other than those arising from financial assets at fair value through profit or loss.

2 Summary of Significant Accounting Policies

(f) Goods and services tax (GST)

Revenue, 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 Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment is depreciated on a reducing balance basis over the asset's useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life on Straight-line method.

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

Plant and equipment	10%-30%
Leasehold improvements	6.25%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(h) Financial instruments

<u>For comparative year</u>

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

2 Summary of Significant Accounting Policies

(h) Financial instruments

Financial assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and other receivables fall into this category of financial instruments.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the Company to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Notes to the financial statements (continued)

2 Summary of Significant Accounting Policies

(h) Financial instruments

Financial assets

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Company's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category.

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in the prior period statement of profit or loss and other comprehensive income resulting from the impairment of debt securities are reversed through the statement of profit or loss and other comprehensive income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities depending on the purpose for which the liability was acquired.

The Company‘s financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of Financial Assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available-for-sale financial assets

Notes to the financial statements (continued)

2 Summary of Significant Accounting Policies

(h) Financial instruments

Impairment of Financial Assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

For current year

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

2 Summary of Significant Accounting Policies

(h) Financial instruments

Financial assets

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss (refer to hedging accounting policy for derivatives designated as hedging instruments.)

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

2 Summary of Significant Accounting Policies

(h) Financial instruments

Financial assets

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank and other loans and finance lease liabilities.

(i) Intangibles

Franchise Fees

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 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 franchise agreement.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

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

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(k) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

2 Summary of Significant Accounting Policies

(l) Trade receivables and payables

Receivables are carried at their amounts due. The delectability 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.

(m) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provisions for dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(n) Borrowings

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

(o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(q) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 30 June 2019, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

2 Summary of Significant Accounting Policies

(r) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards.

The following table summarises those future requirements, and their effective dates.

Standard Name	Effective date for entity
Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	1 January 2019
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements Cycle 2015-2017 Cycle	1 January 2019
AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments [AASB 1, AASB 128, AASB 140]	1 January 2019
AASB 16 Leases	1 January 2019
AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - 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.

Key judgment - income tax

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 un-recouped 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.

Notes to the financial statements (continued)

4 Revenue and Other Income

Revenue from continuing operations

	2019 $	2018 $
Sales revenue		
- provision of services	**753,767**	666,079
Finance income		
- interest received	**1,924**	2,663
Total Revenue	**755,691**	668,742

5 Result for the Year

The result for the year was derived after charging / (crediting) the following items:

	2019 $	2018 $
Finance Costs		
Financial liabilities measured at amortised cost:		
- Interest on master card	**-**	2
Total finance costs	**-**	2

The result for the year includes the following specific expenses:

	2019 $	2018 $
Other expenses:		
Depreciation expenses		
- Plant & equipment	**3,156**	3,804
- Leasehold improvements	**7,794**	7,815
Amortisation expense		
- Franchise fee	**11,019**	11,191
	21,969	22,810
Impairment of receivables:		
- Bad debts expense	**142**	178
Total impairment of receivables	**142**	178

6 Income Tax Expense

(a) The major components of tax expense (benefit) comprise:

	2019 $	2018 $
Current tax expense (benefit)		
Current tax expense	**23,279**	16,961
Recoupment of prior year tax losses	**(23,279)**	(16,961)
Deferred tax expense		
Origination and reversal of temporary differences	**20,386**	13,344
Recognition of previously unrecognised tax losses	**(15,711)**	-
Total income tax expense	**4,675**	13,344

(b) Reconciliation of income tax to accounting profit:

	2019 $	2018 $
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2018: 27.5%)	**17,356**	11,367
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	**3,030**	3,077
Less:		
- over provision of prior years	**-**	1,100
- Recognition of tax losses not recognised in prior period	**15,711**	-
Income tax expense	**4,675**	13,344
Weighted average effective tax rate	**8%**	32%

7 Cash and Cash Equivalents

	2019 $	2018 $
Cash on hand	**61**	52
Bank balances	**125,410**	117,412
	125,471	117,464

The company has a bank overdraft facility amounting to $75,000 (2018: $75,000). This may be terminated at any time at the option of the bank. At 30 June 2019, none of this facility was used (2018: Nil). Variable interest rates apply to this overdraft facility.

8 Trade and Other Receivables

	2019 $	2018 $
CURRENT		
Trade receivables	**67,253**	61,648
Provision for impairment	**-**	-
	67,253	61,648
Deposits	**1,800**	1,800
Total current trade and other receivables	**69,053**	63,448

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

9 Financial Assets

(a) Financial assets at amortised cost

	2019 $	2018 $
CURRENT		
Term deposits	**206,778**	175,000
	206,778	175,000

(b) Financial assets at amortised cost (2018: Held-to-maturity)

Classification of financial assets at amortised cost due to adoption of AASB 9

The investments stated under Note 9 (a) have been reclassified to financial assets at amortised cost on adoption of AASB 9 Financial Instruments. The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

In previous years, the Company classified these investments as held-to-maturity as they had fixed or determinable payments and fixed maturities and Company intended to, and was able to, hold them to maturity.

Held-to-maturity financial assets were included in current assets as they were with maturities less than 12 months from the end of the reporting period.

10 Other Assets

	2019 $	2018 $
CURRENT		
Prepayments	**5,565**	3,627
	5,565	3,627

Notes to the financial statements (continued)

11 Property, plant and equipment

	2019 $	2018 $
PLANT AND EQUIPMENT		
Furniture, fixtures and fittings		
At cost	**15,588**	15,588
Accumulated depreciation	**(14,556)**	(14,386)
Total furniture, fixtures and fittings	**1,032**	1,202
Office equipment		
At cost	**89,629**	88,004
Accumulated depreciation	**(78,478)**	(75,493)
Total office equipment	**11,151**	12,511
Leasehold Improvements		
At cost	**124,970**	124,970
Accumulated amortisation	**(56,049)**	(48,255)
Total leasehold improvements	**68,921**	76,715
Total property, plant and equipment	**81,104**	90,428

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Furniture, Fixtures and Fittings $	Office Equipment $	Leasehold Improvements $	Total $
Year ended 30 June 2019				
Balance at the beginning of year	**1,202**	**12,511**	**76,715**	**90,428**
Additions	**-**	**1,625**	**-**	**1,625**
Depreciation expense	**(170)**	**(2,985)**	**(7,794)**	**(10,949)**
Balance at the end of the year	**1,032**	**11,151**	**68,921**	**81,104**

	Furniture, Fixtures and Fittings $	Office Equipment $	Leasehold Improvements $	Total $
Year ended 30 June 2018				
Balance at the beginning of year	1,403	16,113	84,530	102,046
Depreciation expense	(201)	(3,602)	(7,815)	(11,618)
Balance at the end of the year	1,202	12,511	76,715	90,428

Notes to the financial statements (continued)

12 Intangible Assets

	2019 $	2018 $
Franchise fee		
Cost	**112,779**	112,779
Accumulated amortisation	**(77,086)**	(66,067)
Net carrying value	**35,693**	46,712

(a) Movements in carrying amounts of intangible assets

	Franchise fee $	Total $
Year ended 30 June 2019		
Balance at the beginning of the year	**46,712**	**46,712**
Amortisation	**(11,019)**	**(11,019)**
Closing value at 30 June 2019	**35,693**	**35,693**

	Franchise fee $	Total $
Year ended 30 June 2018		
Balance at the beginning of the year	57,903	57,903
Amortisation	(11,191)	(11,191)
Closing value at 30 June 2018	46,712	46,712

13 Trade and Other Payables

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.

	Note	2019 $	2018 $
Current		**-**	-
Trade payables		**9,555**	5,861
GST payable		**4,050**	23,768
Accrued expense		**9,339**	5,000
Other payable		**11,208**	9,387
Franchise fee payable		**12,826**	12,826
Dividend payable		**3,350**	-
		50,328	56,842

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Notes to the financial statements (continued)

13 Trade and Other Payables

	2019 $	2018 $
Non-Current		
Franchise fee payable	**25,653**	38,479
	25,653	38,479

14 Employee Benefits

	2019 $	2018 $
Current liabilities		
Provision for annual leave	**15,458**	11,335
	15,458	11,335
Non-current liabilities		
Provision for long service leave	**11,948**	8,244
	11,948	8,244

15 Tax assets and liabilities

Current Tax Liability

	2019 $	2018 $
Income tax payable	**23,279**	16,961
Recoupment of prior year tax losses	**(23,279)**	(16,961)
Current tax liabilities	**-**	-

Deferred Tax Assets

	Opening Balance $	Charged to Income $	Closing Balance $
Deferred tax assets			
Provisions - employee benefits	3,378	2,006	5,384
Unused tax losses	34,170	(16,961)	17,209
Accruals	-	1,375	1,375
Balance at 30 June 2018	37,548	(13,580)	23,968
Provisions - employee benefits	**5,384**	**2,153**	**7,537**
Unused tax losses	**17,209**	**(7,568)**	**9,641**
Accruals	**1,375**	**1,193**	**2,568**
Balance at 30 June 2019	**23,968**	**(4,222)**	**19,746**

15 Tax assets and liabilities

Deferred Tax Liabilities

	Opening Balance $	Charged to Income $	Closing Balance $
Deferred tax liability			
Property, plant and equipment	13,423	798	14,221
Prepayments	2,030	(1,033)	997
Balance at 30 June 2018	15,453	(235)	15,218
Property, plant and equipment	**14,221**	**(81)**	**14,140**
Prepayments	**997**	**534**	**1,531**
Balance at 30 June 2019	**15,218**	**453**	**15,671**

16 Issued Capital

	2019 $	2018 $
584,559 (2018: 584,559) Ordinary shares fully paid	**584,559**	584,559
Less: Equity raising costs	**(58,456)**	(58,456)
Total	**526,103**	526,103

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show

of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

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

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

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

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

There has been no change to capital risk management policies during the year.

17 Earnings per Share

(a) Reconciliation of earnings to profit or loss from continuing operations

	2019 $	2018 $
Profit from continuing operations	**58,437**	27,990
Earnings used to calculate basic EPS from continuing operations	**58,437**	27,990

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2019 No.	2018 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**584,559**	584,559

18 Dividends paid or provided for on ordinary shares

	2019 $	2018 $
The following dividends were declared and paid:		
Final unfranked ordinary dividend of 5 (2018: nil) cents per share	**24,614**	-
Total	**24,614**	-

Dividends declared or paid during the year were 100% unfranked.

19 Capital and Leasing Commitments

(a) Operating Leases

	2019 $	2018 $
Minimum lease payments under non-cancelable operating leases:		
- not later than one year	**49,245**	48,232
- between one year and five years	**101,614**	199,091
	150,859	247,323

The branch lease is a non-cancelable lease with a six-year term, with rent payable monthly in advance. An option to renew the lease for a further ten years (five year x2) is available. The current lease is to renew in another 3 years and the lease commitment above is represents the estimated lease payable amounts for next 2 years.

20 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company‘s overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

20 Financial Risk Management

The most significant financial risks to which the Company is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Deposits with bank
- Short-term investments
- Trade receivables
- Cash at bank
- Bank overdraft
- Trade and other payables

		2019 $	2018 $
Financial assets			
Cash and cash equivalents	7	**125,471**	117,464
Financial assets at amortised cost	9	**206,778**	175,000
Trade and other receivables (excluding deposits)	8	**67,253**	61,648
Total financial assets		**399,502**	354,112
Financial liabilities			
Trade and other payables		**(75,981)**	(95,321)
Total financial liabilities		**(75,981)**	(95,321)
Net financial assets		**323,521**	258,791

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement.*

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of Beaumaris Community Financial Services Limited’s financial risk management framework. This includes the development of policies covering specific areas such as liquidity risk, credit risk and interest rate risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Beaumaris Community Financial Services Limited’s activities.

The day-to-day risk management is carried out by Beaumaris Community Financial Services Limited’s finance function under policies and objectives which have been approved by the Board of Directors.

Mitigation strategies for specific risks faced are described below:

20 Financial Risk Management

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

Liquidity management is carried out within the guidelines set by the Board.

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

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

The table below reflects the undiscounted contractual maturity analysis for financial liabilities.

Financial liability maturity analysis - Non-derivative

	Weighted average Interest rate		Within 1 Year		1 to 5 Years		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	%	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Trade and other payables	**-**	-	**50,328**	56,842	**25,653**	38,479	**75,981**	95,321
Total contractual outflows	**-**	-	**50,328**	56,842	**25,653**	38,479	**75,981**	**95,321**

The timing of expected outflows is not expected to be materially different from contracted cashflows.

The table below reflect maturity analysis for financial assets.

	Weighted average Interest rate		Within 1 Year		1 to 5 Years		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	%	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets - cash flows realisable								
Cash and cash equivalents	**0.10**	0.15	**125,471**	117,464	**-**	-	**125,471**	117,464
Trade and other receivables	**-**	-	**67,253**	61,648	**-**	-	**67,253**	61,648
Financial assets at amortised cost	**2.42**	2.35	**206,778**	175,000	**-**	-	**206,778**	175,000
Total anticipated inflows			**399,502**	354,112	**-**	-	**399,502**	**354,112**

Notes to the financial statements (continued)

20 Financial Risk Management

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

Trade receivables and contract assets

Trade receivables consist only one customer who is a reputable bank with high quality external credit ratings.

Credit risk exposures

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

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

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

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

Interest Rate Risk

Financial instrument composition and maturity analysis

The Company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	%	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets:								
Cash and cash equivalents	**0.10**	0.15	125,471	117,464	**-**	-	**125,471**	117,464
Term deposits	**2.42**	2.35	206,778	175,000	**-**	-	**206,778**	175,000
Receivables	**-**	-	-	-	**67,253**	61,648	**67,253**	61,648
Total Financial Assets			332,249	292,464	**67,253**	61,648	**399,502**	354,112
Financial Liabilities:								
Trade and sundry payables	**-**	-	-	-	**75,981**	95,321	**75,981**	95,321
Total Financial Liabilities	**-**	-	-	-	**75,981**	95,321	**75,981**	95,321

20 Financial Risk Management

Price risk

The company is not exposed to any material price risk.

Market risk

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

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

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

Sensitivity analysis

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

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

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1% (interest income)	**2,409**	2,120
Decrease in interest rate by 1% (interest income)	**(2,409)**	(2,120)
Change in equity		
Increase in interest rate by 1% (interest income)	**2,409**	2,120
Decrease in interest rate by 1% (interest income)	**(2,409)**	(2,120)

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.

Notes to the financial statements (continued)

21 Key management personnel and related party disclosures

(a) Key management personnel

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

No remuneration was paid to key management personnel of the company during the year as the positions are held on a voluntary basis.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. As noted previously, no Director fees have been paid as the positions are held on a voluntary basis. During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

	2019 $	2018 $
Janina Puttick (Bookkeeper & Director)		
Bookkeeping services	**12,116**	11,616
Irena Peoples (Company Secretary and Director)		
Board Assistant services	**5,873**	-

Beaumaris Community Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package.

(d) Key management personnel shareholdings

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

	2019 $	2018 $
Directors		
Chris Shaw	**5,000**	5,000
Irena Peoples	**-**	-
Peter Demura	**-**	-
Janina Puttick	**-**	-
Anjana Bhatt	**-**	-
Darren Trew	**1,000**	1,000
Craig Tucker	**-**	-
Paul Widdis	**-**	-
Key management		
Lewis Rimington	**4,000**	4,000
	10,000	10,000

21 Key management personnel and related party disclosures

(d) **Key management personnel shareholdings**

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

(e) **Other key management transactions**

The totals of remuneration paid to the key management personnel of Beaumaris Community Financial Services Limited during the year are as follows:

	2019 $	2018 $
Short-term employee benefits	**95,000**	85,000
Post-employment benefits	**1,578**	763
	96,578	85,763

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

22 Auditors' Remuneration

	2019 $	2018 $
Remuneration of the auditor of the entity for:		
- auditing or reviewing of financial report	**5,150**	4,862
- preparation of general purpose financial report	**2,150**	1,300
Total	**7,300**	6,162

23 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2019 (30 June 2018:None).

24 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2019 $	2018 $
Profit for the year	**58,437**	27,990
Non-cash flows in profit:		
- amortisation	**11,019**	11,191
- depreciation	**10,950**	11,619
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(7,331)**	5,934
- (increase)/decrease in prepayments	**(1,938)**	3,756
- (increase)/decrease in deferred tax asset	**4,675**	13,344
- increase/(decrease) in trade and other payables	**(22,691)**	(33,551)
- increase/(decrease) in provisions	**7,827**	7,295
Cashflows from operations	**60,948**	47,578

Notes to the financial statements (continued)

25 Segment Reporting

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Beaumaris and Black Rock, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited which accounts for 100% of the revenue (2018: 100%).

26 Events Occurring After the Reporting Date

The financial report was authorised for issue on 3 September 2019 by the Board of Directors.

No matters or circumstances have arisen since the end of the financial year which 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 financial years.

27 Statutory Information

The registered office and principal place of business of the company is:

Beaumaris Community Financial Services Limited
32 East Concourse,
Beaumaris VIC 3193

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2019 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the Company;

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

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

Chair: ....

Chris Shaw

Dated 3 September 2019

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Beaumaris Community Financial Services Limited

Independent Audit Report to the members of Beaumaris Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Beaumaris 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, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

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.

Beaumaris Community Financial Services Limited

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

- 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.

Ashfords Audit and Assurance

Ashfords Audit and Assurance Pty Ltd
Chartered Accountants

Ryan H. Dummett
Director

Suite 5, 14 Garden Boulevard, Dingley VIC 3172
11 September 2019

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(DATE: 10/19)