Bright Community Financial Services Limited

ABN 93 117 798 553

2019 Annual Report

Bright Community Bank Branch
Myrtleford Agency

Contents

Chairman's report

For year ending 30 June 2019

Dear Shareholders

On behalf of the Board of the Bright Community Bank Branch, once again, I am very proud to report another successful and profitable year. A fantastic outcome not only for you as a shareholder but also for the wonderful community that we are so privileged to be part of. This is a result of the combined efforts of the branch team and the Board of Bright Community Financial Services Limited.

We have seen some significant external challenges and changes in banking in the past 12 months due to various contributing factors, including some changes in processes to lending. As a result the funds under management have decreased slightly to around $105 million. This is in no way a reflection of the excellent work put in by the branch team. Mark Ditcham's leadership is committed to the right behaviours driving the right results, which will ensure continued further success for the Bright Community Bank Branch.

We continually receive positive feedback from our customers via Bendigo and Adelaide Bank Limited head office about the helpful experiences they encounter in the branch. We are very fortunate to have such an incredible, dynamic team in the branch. This is something that sets us apart and is a major point of difference between us and our competition.

Customer account numbers have increased and products per customer have increased as well. Despite the decrease in funds under management, we have been able to invest close to $65,000 in the community, and increase profitability over the previous year, thereby allowing us to recognise our shareholders with a dividend yet again this year.

Apart from the branch team, the other major point of difference of the Bright Community Bank Branch is the ability to invest in our community. We make sure the community is made aware that bank sponsorships, funding and donations are made possible only by the generosity of the shareholders in Bright Community Financial Services Limited and customers of the Bright Community Bank Branch. On your behalf, we have supported numerous projects throughout the year, too many to list in detail here, to enable the community to build, to grow things and make good things happen. For example, we have been able to invest in further support for the Macnamara Reserve which will not only aid the various clubs that are based there, but also assist in raising the profile of the Bright Community Bank Branch's presence with our agency in Myrtleford.

At a Board level, we have welcomed three fantastic new Directors Alia Parker, Tim May and Graham Gales. Sadly however, Michelle Sharpe has left the Board as she has relocated to Alexandra with her family. I would like to thank Michelle for the dedication and hard work she contributed to Bright Community Financial Services Limited during her time on the Board. We all wish her well in her new town and also congratulate her in joining the Board at Yea & District Community Bank Branch. Our loss is definitely a massive gain for the team at Yea.

Lastly, I would like to take this opportunity to thank shareholders, customers, the fantastic branch team and the Board for their continued support for the Bright Community Bank Branch.

Wishing your family and friends a happy, safe, prosperous festive season and new year.

Jarrad Cottrell
Chairman

Manager's report

For year ending 30 June 2019

I have pleasure in submitting the Branch Manager's report for Bright Community Bank Branch.

The Bright Community Bank Branch continued to grow our customer base with our total customer numbers increasing to 2,002 and these customers hold 3,089 accounts with us. Our Branch funds under management decreased during the financial year to close to $105 million, however, the Board of Bright Community Financial Services Limited were able to maintain our commitment to our communities and made contributions of close to $65,000 in sponsorships and support to our local groups, clubs and projects.

This is again a testament to the Community Bank model and that unique point of difference we offer in regard to what we are able to contribute back to our local communities, but also due to our commitment in operating a full service branch with a high level of customer service and that our customers can either call us direct or come in between the hours of 9.00am – 5.00pm Monday to Friday.

Whilst we are pleased with our business performance, we also know that we will need to continue to provide that superior level of customer service that we take great pride in and offer competitive products, interest rates and banking options to our customers. We continue to be able to do that with the tremendous support and backing of Bendigo and Adelaide Bank Limited.

This has allowed Bright Community Bank Branch to meet its charter of giving back to our communities by assisting local community groups and clubs and contributing and partnering in local projects and initiatives. In the last year we have again supported many local organisations with a variety of sponsorships right throughout our communities from Bright to Myrtleford and surrounds. We are enormously proud of these contributions that we are able to make and consider it a privilege to be in a position where we can assist so many in our communities.

Our Bright Community Bank Branch agency at Myrtleford continues to operate through the local business 'Myrtleford Real Estate and Livestock'. Their office is located at 99 Myrtle Street, Myrtleford and we thank Greg and his team for supporting our Community Bank agency. This has allowed us to assist local groups and clubs in Myrtleford and surrounding communities. It is still our vision of growing the agency business and its customer base, so we can continue to provide benefits to those local communities.

From a banking perspective, our industry operational risk and regulatory requirements are always a major focus for Bendigo and Adelaide Bank Limited and for the Bright Community Bank Branch. This ensures our staff and branch adhere to its policies and procedures. The operational reviews conducted at our branch over the last 12 months confirm that our staff continue to meet these policy and regulatory requirements.

I would like to personally thank our fantastic branch staff, Naomi, Jill, Kasey and Courtney, for the support and service they provide to our customers. The personal service we provide to our customers is something we are proud and passionate about. The staff form a fantastic team and I also thank them for the support and assistance they provide to me.

We are also fortunate to receive great support from our business partners, Business Banker Tony Clarebrough, our Financial Planner Sheridan Gillham and our Agribusiness Managers. They are experts in their respective areas of business, finance, agribusiness and Financial Planning and provide great support and service to our branch and to our customers.

I also thank our Bendigo and Adelaide Bank Limited support team of Lisa Liddell (Regional Manager) and Brian O'Keefe (Risk & Compliance Manager) and their respective teams who are also a great support to our branch and to our staff.

I would also like to sincerely thank Board Chairman Jarrad Cottrell and the other Board members for their continued support and assistance. The Board members of the Bright Community Bank company are all volunteers and I thank them for their support, passion and commitment.

Most of all I would like to once again thank our local shareholders, our individual customers and the local business' and groups that choose to do their banking with Bright Community Bank Branch. As I have said numerous times in the past, it is only because they do that we can provide the support that we do to our local communities.

Our success is directly linked to the success of our communities so assisting local groups and supporting community events and projects is ultimately good for all of us.

On behalf of the branch staff we look forward to another year of servicing our current, new and potential customers, growing our business and continuing to support our communities.

Thank you

Mark Ditcham
Branch Manager

Directors' report

For the financial year ended 30 June 2019

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

Directors

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

Jarrad Michael Cottrell
Chairman
Occupation: Retail Manager
Qualifications, experience and expertise: 17 years working for large business. Management of high volume retail sites with teams up to 250 people, HR experience specialising in recruiting and training. Buying and marketing experience in produce buying working as a rebuyer and quality controller. Excellent interpersonal and leadership skills. Certificate 4 in retail management, qualified in return to work training for injured employees.
Special responsibilities: Chairman, Property and OHS sub-committees
Interest in shares: Nil

Josef Wowk
Treasurer
Occupation: Retired
Qualifications, experience and expertise: Certificate of Business Studies (Banking & Finance).
Special responsibilities: Treasurer
Interest in shares: Nil

Julie Rose Blood
Secretary
Occupation: Bookkeeper
Office manager for 17.5 years, Secretary & Company Secretary for 7 years, Past president of the Bright Football/Netball club and Junior Football Club. Past Treasurer of Bright Wanderers Cricket club and current treasurer of Bright vehicle preservation society.
Special responsibilities: Secretary
Interest in shares: Nil

Rosalind Anne Holland
Director
Occupation: Owner and manager holiday accommodation
Qualifications, experience and expertise: Grad Dip Bus Mgt, Assoc Dip Bus Admin. Business management consulting 16 years – public, private and NFP organisations. Positions in the public and private sectors in the people and business management – 10 years. Currently owner and manager Bright Mystic Valley Holiday Units. Currently President Holiday Unit Group, a sub-committee of the Bright and District Chamber of Commerce. Program Coordinator, Bright Spring Festival Committee.
Special responsibilities: Nil
Interest in shares: Nil

William George Andrews
Director
Occupation: Wine Tourism Operator
Qualifications, experience and expertise: Secondary Teacher for 20 years, Brown Brothers Cellar Door Manager for 8 years, Proprietor for Wattle Park Cellars for 5 years and Fine Wine Manager at Dan Murphy's for 10 years. President of Buckley Ridges, Rainbow Bright Wanderers Cricket Clubs, Vice President of Dandenong & District Cricket Association and Ovens & Kiewa cricket association. Committee member of Rainbow Football Club, Bright Football Club and Rutherglen Winemakers.
Special responsibilities: Nil
Interest in shares: Nil

Directors *(continued)*

Alia Bridget Parker
Director *(Appointed 16 January 2019)*
Occupation: Executive Officer
Qualifications, experience and expertise: Alia Parker is the Executive Officer of Alpine community Plantation, a not-for-profit community group that manages Mystic Park - one of the country's top mountain bike parks and paragliding launches - within a commercial pine plantation. Alia has a diverse range of experience spanning a background as a former journalist and investment editor, both in Australia and abroad, Local Government, marketing and communications and has extensive work within the cycling industry. She holds a MA in International Communications from Macquarie University.
Special responsibilities: Marketing and Communications Committee
Interest in shares: Nil

Timothy David May
Director *(Appointed 16 January 2019)*
Occupation: Solicitor
Qualifications, experience and expertise: Solicitor admitted to practice in October 2002, Bachelor of Laws, Graduate Diploma Legal Practice. Director and Principal Toner & May Legal Pty Ltd. 2015-2018 Chairman Bright Courthouse Committee. Member of Law Institute Victoria and Bright Country Golf Club.
Special responsibilities:
Interest in shares: Nil

Graham Wayne Gales
Director *(Appointed 27 February 2019)*
Occupation: Retired
Qualifications, experience and expertise: Bachelor of Science (Education) (Melbourne); Graduate Diploma of Educational Studies (Charles Sturt), Teacher and Curriculum Consultant, Victoria Department of Education; Regional Trainer (casual), Victoria State Emergency Service. Member, Bright Unit, Victoria State Emergency Service. Member, Upper Ovens Land care Group. Volunteer Guide, Parks Victoria. Volunteer, Kangaroo Hoppet.
Special responsibilities: Property Committee
Interest in shares: Nil

Michelle Therese Sharpe
Director *(Resigned 28 November 2018)*
Occupation: Practice Manger Allied Health Practice
Qualifications, experience and expertise: Previous experience involves being owner/operator of award winning Hospitality business in Townsville (2005 – 2013). Development of processes and procedures, staff hire and training, event management, marketing, budgeting, payroll and all administration duties. 30 years administration/ management of private specialist medical practises. Owner of 6WD vehicle tour business for 3 years, sold in 2017. Currently Event co-ordinator of Grand Fireworks Spectacular and entertainment (4years) - Spring Festival Committee and Practice Manager for Allied Health Practice.
Special responsibilities: Branch/lease relocation sub committee and Marketing Committee
Interest in shares: Nil

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

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

Company Secretary

The company secretary is Julie Rose Blood. Julie was appointed to the position of secretary on 23 May 2011.

Julie works as an Administration Manager and has many years of administrative experience.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
103,221	73,031

	Year ended 30 June 2019	
Dividends	Cents	$
Dividends paid in the year	6	41,647

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Directors' Meetings	
	Eligible	Attended
Jarrad Michael Cottrell	10	10
Rosalind Anne Holland	10	9
Julie Rose Blood	10	9
Josef Wowk	10	8
William George Andrews	10	7
Alia Bridget Parker *(Appointed 16 January 2019)*	5	5
Timothy David May *(Appointed 16 January 2019)*	5	2
Graham Wayne Gales *(Appointed 27 February 2019)*	4	4
Michelle Therese Sharpe *(Resigned 28 November 2018)*	4	3

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of the board of directors at Bright, Victoria on 6 September 2019.

Jarrad Michael Cottrell, Chairman

Auditor's independence declaration

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 6 September 2019

Joshua Griffin
Lead Auditor

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

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	754,998	734,020
Employee benefits expense		(317,248)	(330,307)
Charitable donations, sponsorship, advertising and promotion		(84,467)	(102,315)
Occupancy and associated costs		(53,524)	(50,118)
Systems costs		(20,480)	(18,389)
Depreciation and amortisation expense	5	(28,271)	(26,054)
Finance costs	5	(436)	(652)
General administration expenses		(108,159)	(105,394)
Profit before income tax expense		**142,413**	**100,791**
Income tax expense	6	(39,192)	(27,760)
Profit after income tax expense		**103,221**	**73,031**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**103,221**	**73,031**
Earnings per share		¢	¢
Basic earnings per share	23	14.87	10.52

The accompanying notes form part of these financial statements.

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

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	565,996	486,376
Trade and other receivables	8	70,485	70,738
Total current assets		**636,481**	**557,114**
Non-current assets			
Property, plant and equipment	9	29,722	25,889
Intangible assets	10	30,984	44,414
Deferred tax asset	11	15,785	18,751
Total non-current assets		**76,491**	**89,054**
Total assets		**712,972**	**646,168**
LIABILITIES			
Current liabilities			
Current tax liabilities	11	11,471	10,492
Trade and other payables	12	53,307	33,861
Borrowings	13	4,517	4,292
Provisions	14	51,538	47,992
Total current liabilities		**120,833**	**96,637**
Non-current liabilities			
Borrowings	13	2,337	6,855
Provisions	14	2,082	16,530
Total non-current liabilities		**4,419**	**23,385**
Total liabilities		**125,252**	**120,022**
Net assets		**587,720**	**526,146**
EQUITY			
Issued capital	15	670,347	670,347
Accumulated losses	16	(82,627)	(144,201)
Total equity		**587,720**	**526,146**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017		670,347	(182,526)	487,821
Total comprehensive income for the year		-	73,031	73,031
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(34,706)	(34,706)
Balance at 30 June 2018		**670,347**	**(144,201)**	**526,146**
Balance at 1 July 2018		670,347	(144,201)	526,146
Total comprehensive income for the year		-	103,221	103,221
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(41,647)	(41,647)
Balance at 30 June 2019		**670,347**	**(82,627)**	**587,720**

The accompanying notes form part of these financial statements.

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

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		819,898	795,979
Payments to suppliers and employees		(648,315)	(663,884)
Interest received		8,334	5,675
Interest paid		(436)	(652)
Income taxes paid		(35,247)	-
Net cash provided by operating activities	17	**144,234**	**137,118**
Cash flows from investing activities			
Payments for property, plant and equipment		(18,674)	-
Net cash used in investing activities		**(18,674)**	**-**
Cash flows from financing activities			
Repayment of borrowings		(4,293)	(3,683)
Dividends paid	21	(41,647)	(34,706)
Net cash used in financing activities		**(45,940)**	**(38,389)**
Net increase in cash held		**79,620**	**98,729**
Cash and cash equivalents at the beginning of the financial year		486,376	387,647
Cash and cash equivalents at the end of the financial year	7(a)	**565,996**	**486,376**

The accompanying notes form part of these financial statements.

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Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

AASB 15 Revenue from Contracts with Customers

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

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

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

The company has applied this standard using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for the year ended 30 June 2018 has not been restated.

AASB 9 Financial Instruments

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

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

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

a) Basis of preparation *(continued)*

Application of new and amended accounting standards (continued)

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $285,869.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

Note 2. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

b) Revenue

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

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

Revenue calculation

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

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

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.

Note 2. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

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

b) Revenue *(continued)*

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

c) Income tax *(continued)*

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

k) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

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

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

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

k) Financial instruments *(continued)*

Impairment (continued)

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

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

Note 2. Financial risk management *(continued)*

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities

	2019	2018
	$	$
Operating activities:		
- gross margin	587,108	514,663
- services commissions	80,689	132,681
- fee income	52,367	55,653
- market development fund	25,000	25,000
Total revenue from operating activities	745,164	727,997
Non-operating activities:		
- interest received	8,334	5,675
- other revenue	1,500	348
Total revenue from non-operating activities	9,834	6,023
Total revenues from ordinary activities	754,998	734,020

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	10,251	7,071
- motor vehicle	4,590	5,552
Amortisation of non-current assets:		
- franchise agreement	2,238	8,451
- franchise renewal fee	11,192	4,980
	28,271	26,054
Finance costs:		
- interest paid	436	652
Bad debts	780	292

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	39,976	10,492
- Movement in deferred tax	2,966	(3,381)
- Recoupment of prior year tax losses	-	20,649
	39,192	27,760

Note 6. Income tax expense *(continued)*	2019	2018
	$	$
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	142,413	100,791
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	39,163	27,718
Add tax effect of:		
- non-deductible expenses	29	42
- timing difference expenses	(2,966)	3,381
	36,226	31,141
Movement in deferred tax	2,966	(3,381)
Under/over provision in respect to prior year	-	-
	39,192	27,760

Note 7. Cash and cash equivalents		
Cash at bank and on hand	107,620	144,334
Term deposits	458,376	342,042
	565,996	486,376

Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	107,620	144,334
Term deposits	458,376	342,042
	565,996	486,376

Note 8. Trade and other receivables		
Trade receivables	61,685	61,208
Prepayments	8,800	9,530
	70,485	70,738

Note 9. Property, plant and equipment

	2019	2018
	$	$
Plant and equipment		
At cost	184,432	165,758
Less accumulated depreciation	(154,710)	(144,459)
	29,722	21,299
Motor vehicles		
At cost	18,508	18,508
Less accumulated depreciation	(18,508)	(13,918)
	-	4,590
Total written down amount	29,722	25,889

Movements in carrying amounts:

	2019	2018
Plant and equipment		
Carrying amount at beginning	21,299	28,370
Additions	18,674	-
Less: depreciation expense	(10,251)	(7,071)
Carrying amount at end	29,722	21,299
Motor vehicles		
Carrying amount at beginning	4,590	10,141
Less: depreciation expense	(4,590)	(5,551)
Carrying amount at end	-	4,590
Total written down amount	29,722	25,889

Note 10. Intangible assets

	2019	2018
Franchise fee		
At cost	90,514	90,514
Less: accumulated amortisation	(85,349)	(83,111)
	5,165	7,403
Renewal processing fee		
At cost	55,961	55,961
Less: accumulated amortisation	(30,142)	(18,950)
	25,819	37,011
Total written down amount	30,984	44,414

Note 11. Tax	Notes	2019	2018
		$	$
Current:			
Income tax payable		11,471	10,492
Non-Current:			
Deferred tax assets			
- accruals		1,039	1,007
- employee provisions		14,746	17,744
		15,785	18,751
Net deferred tax asset		15,785	18,751
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		2,966	17,267

Note 12. Trade and other payables			
Trade creditors		7,209	4,923
Other creditors and accruals		46,098	28,938
		53,307	33,861

Note 13. Borrowings			
Current:			
Chattel mortgage	18	4,517	4,292
Non-Current:			
Chattel mortgage	18	2,337	6,855

Chattel Mortgage is repayable monthly with the final instalment due on 31 December 2020. Interest is recognised at an average rate of 5.17% (2018: 4.75%). The mortgage is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

	2019	2018
	$	$
Current:		
Provision for annual leave	21,785	27,706
Provision for long service leave	29,753	20,286
	51,538	47,992
Non-Current:		
Provision for long service leave	2,082	16,530

Note 15. Issues capital

694,113 ordinary shares fully paid (2018: 694,113)	694,113	694,113
Less: equity raising expenses	(23,766)	(23,766)
	670,347	670,347

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Note 15. Issued capital *(continued)*

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 297. As at the date of this report, the company had 329 shareholders.

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

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

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

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

Note 16. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the financial year	(144,201)	(182,526)
Net profit from ordinary activities after income tax	103,221	73,031
Dividends provided for or paid	(41,647)	(34,706)
Balance at the end of the financial year	(82,627)	(144,201)

Note 17. Statement of cash flows

	2019	2018
	$	$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	103,221	73,031
Non cash items:		
- depreciation	14,841	12,623
- amortisation	13,430	13,431
Changes in assets and liabilities:		
- (increase)/decrease in receivables	253	(2,983)
- (increase)/decrease in other assets	2,966	17,268
- increase/(decrease) in payables	5,810	1,181
- increase/(decrease) in provisions	2,734	12,075
- increase/(decrease) in tax liabilities	979	10,492
Net cash flows provided by operating activities	144,234	137,118

Note 18. Leases

Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	4,728	4,728
- between 12 months and 5 years	2,364	7,092
Minimum lease payments	7,092	11,820
Less future finance charges	(238)	(673)
Present value of minimum lease payments	6,854	11,147

The finance lease for the motor vehicle, which commenced in 31 December 2015, is a five year lease. Interest is recognised at an average rate of 5.17% (2018: 4.75%).

Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	38,982	37,307
- between 12 months and 5 years	51,976	124,357
	90,958	161,664

The branch operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease was renewed for another five year term on 20 October 2016, with one further term of five years available.

Note 19. Auditor's remuneration	2019	2018
	$	$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- share registry services	4,785	4,680
- non audit services	1,830	1,830
	11,215	10,910

Note 20. Director and related party disclosures

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

Jarrad Michael Cottrell
Rosalind Anne Holland
Julie Rose Blood
Josef Wowk
William George Andrews
Alia Bridget Parker *(Appointed 16 January 2019)*
Timothy David May *(Appointed 16 January 2019)*
Graham Wayne Gales *(Appointed 27 February 2019)*
Michelle Therese Sharpe *(Resigned 28 November 2018)*

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors Shareholdings	2019	2018
Jarrad Michael Cottrell	-	-
Rosalind Anne Holland	-	-
Julie Rose Blood	-	-
Josef Wowk	-	-
William George Andrews	-	-
Alia Bridget Parker *(Appointed 16 January 2019)*	-	-
Timothy David May *(Appointed 16 January 2019)*	-	-
Graham Wayne Gales *(Appointed 27 February 2019)*	-	-
Michelle Therese Sharpe *(Resigned 28 November 2018)*	-	-

There was no movement in directors shareholdings during the year.

Note 21. Dividends provided for or paid	2019	2018
	$	$
a. Dividends paid during the year		
Current year dividend		
Unfranked dividend (2018 unfranked) - 6 cents (2018: 5 cents) per share	41,647	34,706
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	35,247	-
- franking credits that will arise from payment of income tax as at the end of the financial year	11,472	10,492
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	46,719	10,492
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	46,719	10,492

Note 22. Key management personnel disclosures

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

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

Note 23. Earnings per share	2019	2018
	$	$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	103,221	73,031
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	694,113	694,113

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

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

Note 27. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
Shop 2 104 Gavan Street Bright VIC 3741	Shop 2 104 Gavan Street Bright VIC 3741

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 %	2018 %
Financial assets												
Cash and cash equivalents	107,620	144,334	458,376	342,042	-	-	-	-	-	-	1.90	1.24
Receivables	-	-	-	-	-	-	-	-	61,685	61,208	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	4,517	4,292	2,337	6,855	-	-	-	-	5.17	4.75
Payables	-	-	-	-	-	-	-	-	7,209	4,923	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	5,591	4,752
Decrease in interest rate by 1%	(5,591)	(4,752)
Change in equity		
Increase in interest rate by 1%	5,591	4,752
Decrease in interest rate by 1%	(5,591)	(4,752)

Directors' declaration

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

In the opinion of the directors:

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

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

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

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

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

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

Jarrad Michael Cottrell, Chairman

Signed on the 6th of September 2019.

Partners in success
Chartered Accountants
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PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of Bright Community Financial Services Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Bright Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

What we have audited
Bright Community Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 6 September 2019

Joshua Griffin
Lead Auditor

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Myrtleford Agency
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99 Myrtle Street, Myrtleford VIC 3737
Phone: (03) 5752 1304

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