

Cobden & Districts Community Finance Limited

ABN 84 117 781 049



2019 Annual Report

Cobden & Districts **Community Bank®** Branch
Camperdown branch



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Chairman's report

For year ending 30 June 2019

It is with pleasure and admiration that I present the 14th Annual report of Cobden & Districts Community Finance Limited.

The company is continuing to trade profitably and will continue to do so if all external factors stay the same. It has been a hard road and will be for some time, but the difference we make now and the difference we see in the longer term for our local communities is something we must continually strive for success.

Be the change

- You may not think who you bank with matters. But it does and for our customers, their banking is making a real difference.
- With 324 **Community Bank**[®] branch sites, 1,900 Directors and 1,550 staff, we can provide all banking services.
- Everyday banking is providing all this and more. In fact, \$205 million has been returned to communities and initiatives Australia-wide.

On a local level, my admiration goes out:

- to our shareholders, who give us an opportunity to provide their banking
- to our customers, who doing something as simple as banking with us
- to our staff, who are more than just another banks 'staff members' and
- to our Board, who, day in day out freely sell the **Community Bank**[®] concept for our community
- to our community supporters, who are growing in numbers every day.

Everyone can contribute to a successful and sustainable community – just through banking.

We have still managed to grow the business to have in excess of \$139 million in footings and growing daily. However, we need to be mindful of what some of the threats and risks we may see in the next few years.

We still have many challenges to contend with:

- Very slow economy particularly in local rural infrastructure and services
- Lowest Interest rates for decades
- No expansion to other areas such as Terang, Timboon and Mortlake
- Declining foot traffic, declining cash transactions
- Declining ATM use.

Our community balance sheet is something that I am very proud of and it needs to be recorded here:

- It's this local community Board who decide where the funds go and it's all about engaging and strengthening our communities
- Over 110 local clubs and organisations have received a benefit from our **Community Bank**[®] branch
- Over \$571,000 has been given directly back to the local community by way of grants, sponsorship, and donations by the Board's sponsorship programs

Chairman's report (continued)

- This sponsorship program should grow in value approximately \$70,000 plus every year
- We have long-term partnerships with the Cobden Health, Camperdown Football Netball Club, Port Campbell Surf Life Saving Club and the Cobden Recreation Reserve Committee of Management (in conjunction with the Cobden sporting clubs involved)
- Operation of the Cobden & Districts **Community Bank**[®] Branch and the Camperdown branch
- The direct employment of eight local community members
- Provision of a dividend to our shareholders for the fourth year in a row
- We disperse locally – local capital from our local Bank funds and profits
- Provide a local competitive landscape in banking.

Where to from here? Well the formula is simple, more customers and more funds under management = increased local profits (that would go elsewhere if not with the **Community Bank**[®] branch) = more local community investment.

Our staff advise us, from their analysis of our accounts, that we currently have approx 41% of our shareholders who substantially bank with us, 24% who have a minimal engagement with us and a disappointing 35% who have no banking with us at all. It's good to see that we have improved the minimal percentage by 2%, however we need to work harder in selling our message and the reason for existence (again to all those who originally supported us).

To provide quality banking services to benefit our shareholders and our community.

The Board has an enormous depth of commitment to the company, partnered by their great vision for the community. They continue to be proactive in ensuring the business continues to achieve the best outcomes for our shareholders, customers, staff and the company.

To, Jan Fleming, our Company Secretary, we thank you for your time and diligence to ensure that we are operating correctly and efficiently. Jan has helped the Board develop even further to being a successful one.

To our Treasurer and Vice Chairman, Simon Buccheri (who has resigned due to work reasons), has both performed extremely well representing our organisation at many clubs and groups throughout the year. To Greg Suter, Ann Cunningham, Chris Bodey, Bill Duncanson, Pat Robertson, and Brooke Love, well done on another successful year. To Rod Wilcocks and Rhonda Howard, I certainly hope you have enjoyed your first of many years as a Board member, you both have served your first year well. I thank you all for another good year we have had. Milton Parlour has continued to assist us on the Finance Committee and we really appreciate his help and input.

Some highlights

- \$571,600 provided to our wider community since 2006.
- Finalisation of South West Bush Fire Appeal.
- Cobden/Port Fairy Football Netball Clubs Community Trophies.
- Continue to provide a dividend to shareholders.
- Help and grow many community events and groups.
- Setting a Board Culture Statement to name a few.

Chairman's report (continued)

Our committed staff, with our new Manager Ken Black, who has taken this position and made a great start to improving our company position with our staff members, Dianne Van Heusden, Margaret McMaster, Wendy Bateman, Sally Mahony, Demby McKenzie, Matt Clarke and Brad Teague. Our staff have and will continue to grow our business. I thank them for their work, dedication, and 'can do' attitude towards our company. We need to also thank them for their volunteer time they provide to the community via the company committees they serve on and the community functions they attend. Our staff make it more than just another bank. Our staff and Board owe an enormous amount to state Bendigo Bank staff with Tim Rodda and all. Also our regional partners, with our immediate past Regional Managers Kevin Hannam and Sue Tansey, our Business Banking Manager Brenton Morgan and our staff at Rural Bank, particularly Andrew Martin and his team. These people have been there when we needed them, have helped out before we asked and have been a great asset to our company. I wish our new team members Regional Manager Jason Chuck and Rural Bank Manager Nicole McDowell all the best in working with us and our great community.

We are the change.



James Green
Chairman
(to 30 June 2019)

Community investment 2018/19

Community organisations that the Cobden & Districts **Community Bank**® Branch and the Camperdown branch has provided a community investment to this financial year –

Camperdown Turf Club	Camperdown Bowling Club
Advance Camperdown Inc.	Great South Coast Events
Cobden Health	Cobden Golf Club
Camperdown Golf Bowls Club	Derrinalum Progress Association
South West Big Freeze	Cobden Technical School
Rotary Club of Cobden	Camperdown College
Cobden Art Group	Bostocks Creek Fire Brigade
Hampden Tennis Association	Simpson Community Centre
Camperdown Theatre Co.	Rock The Clock Festival
Cobden Tennis Association	St Mary's Anglican Church Guild
Camperdown Playgroup	Probus Club of Camperdown
U3A Corangamite	South West Cricket Association
Camperdown Football Netball Club	Cobden Recreation Reserve
Progressing Cobden	Camperdown Lions Club
Camperdown Pre School Association	Robert Burns Festival

\$55,165

have been provided to
our wider community
in 2018/19.

Manager's report

For year ending 30 June 2019

It is with pleasure that I present my first Annual Report for the 2018/19 financial year since starting as Branch Manager with Cobden & Districts **Community Bank**® Branch and Camperdown branch on 8 April 2019.

Firstly, I would like to thank the Board for giving me an opportunity in the role and would like to recognise my predecessor Lauren Hester for her hard work and dedication over the previous two years.

In the short period of time in the role I have had the chance to get to know our staff, Directors and local communities and I am excited about the opportunities we have to make a difference.

I would like to thank our staff Matt Clark, Marg McMaster, Dianne Van Heusden, Sally Mahony, Wendy Bateman and our two newest team members Brad Teague and trainee Demby McKenzie for their hard work and dedication to our customers and community. I also welcome our new Regional Manager Jason Chuck who has already been of great support to myself and the team. Our Business Banking Manager Brenton Morgan and Rural Bank Manager Nicole McDowall have also provided wonderful support and play an integral part in the success of our business.

I would also like to acknowledge the support of outgoing Chairman James Green and thank him for his enormous contribution to Cobden & Districts Community Finance Limited and wider community. I am looking forward to working with our new co-Chairs Brooke Love and Ann Cunningham and continuing a strong working relationship with the current Board members. We have a passionate Board who care about the growth of our people and stakeholders to benefit our community.

Amongst the changes to our people and the current climate we have been able to achieve a fantastic result with a 6.2% increase in our total footings across both branches. The growth helps us to support many local projects and organisations in our local community, with contributions now totalling in excess of \$550,000.

	2018	2019	Variance
Cobden	\$71.8 million	\$74.6 million	\$2.8 million
Camperdown	\$59.6 million	\$65 million	\$5.4 million
Total	\$131.4 million	\$139.6 million	\$8.2 million

Our overall customer numbers have also increased:

	2018	2019	Variance
Cobden	1,654	1,649	- 0.3%
Camperdown	1,300	1,370	5.3%
Total	2,954	3,019	5%

The **Community Bank**® model is something I believe in strongly and it provides a point of difference when considering financial products and services. I urge all stakeholders to be advocates of our story and look forward to the business and community growing together. We have a strong focus on customer service and have local people with a local presence in your community. We look forward to your continued support.



Ken Black
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2019

As a Bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our **Community Bank®** partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent **Community Bank®** branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 **Community Bank®** company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your **Community Bank®** company local Board of Directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your **Community Bank®** branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local **Community Bank®** business. All it takes is a referral to your local Branch Manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your **Community Bank®** branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and Directors in developing your business and supporting the communities that you live and work in.



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Supporting our local community.

Since opening for business in 2006 the customers of the Cobden & Districts **Community Bank**® Branch and the Camperdown branch have returned more than \$570,000 into the local community by supporting the following clubs, organisations, and groups.



Community contributions since 2006
\$570,000

1st Cobden Scout Group
U3A Corangamite
Advance Camperdown
Apex Park Camperdown
Ban the Bulb Project
Beacon Newsletter (Port Campbell)
Bookar Cricket Club
Bostocks Creek Fire Brigade
Camperdown & District Community House
Camperdown & District Historical Society
Camperdown Ambulance Aux.
Camperdown Angling Club
Camperdown Bowling Club
Camperdown College
Camperdown Community Stadium
Camperdown Cruise Inc.
Camperdown Cycling Club
Camperdown Fire Brigade
Camperdown Football Netball Club
Camperdown Garden Club
Camperdown Girl Guides
Camperdown Golf Club
Camperdown Hospital Aux – Arts Show
Camperdown Little Athletics
Camperdown P&A Society
Camperdown Playgroup Inc.
Camperdown Pre-School Assoc.
Camperdown Probus Club Inc.
Camperdown SES
Camperdown Theatre Co. Ltd
Camperdown Timboon Rail Trail Committee
Camperdown Toy Library
Camperdown Traders Night
Camperdown Turf Club
Camperdown Uniting Church
Cancer Council Vic

Christmas Community Meal
Cobden & District Health Services
Cobden & District Historical Society
Cobden & District Kindergarten
Cobden & District Pony Club
Cobden Aero Club
Cobden Airport Committee of Management
Cobden Amateur Angling Club Inc.
Cobden Amateur Swimming Club
Cobden Art Club (CDHS)
Cobden Art Group
Cobden Bowling Club
Cobden Civic Hall
Cobden Fire Brigade
Cobden Football Netball Club
Cobden Golf Club Inc.
Cobden Health
Cobden Junior Football Club
Cobden Men's Shed
Cobden Playgroup
Cobden Primary School
Cobden Quota
Cobden Recreation Reserve
Cobden Safety House Committee
Cobden Squash Club
Cobden Swimming and Life-Saving Club
Cobden Technical School
Cobden Tennis Association
Cobrico Hall

Cooinda Terang
Corangamite AFLW Challenge Cup
Corangamite Junior Hockey Association – U14 uniforms
Corangamite Model Aircraft Club
Corangamite Sportsmen's Club Inc.
Derrinallum College
Derrinallum Progress Association
Derrinallum Yacht & Power Boat Club
Fire Fundraiser
Great South Coast Events Trestle 10
Hampden Tennis Association
Heytesbury Agricultural Society
Heytesbury Indoor Bias Bowls Assoc.
JDRF – Ava's team
John Maher Road Safety Presentations
LINC Church Services
Lions Club of Camperdown
Lismore Primary School
Mercy Regional College
Netball Association
Nirranda Football Netball Club Inc.
Noorat Agricultural Society
Pomborneit Fire Brigade
Port Campbell Police
Port Campbell Progress Group
Port Campbell Surf Life Saving Club
Probus Club of Camperdown

Probus Club of Cobden
Progressing Cobden Inc.
Relay for Life
Robert Burns Festival
Rock The Clock Camperdown
Rotary Club of Camperdown
Rotary Club of Cobden
Royal Children's Hospital
Shine For Life Church – Family Fun Day
Simpson & District Community Centre – Ball & Chain newsletter
Simpson Football Netball Club
Simpson Indoor Bias Bowls Club
Simpson Kindergarten
Skipton & District Camp Draft Club
South West Cricket Association
South West Health Care
South West Kart Club
South West Vic Bushfire Appeal
South West's Big Freeze
South Western District Restoration
Southwest Healthcare Camperdown
St Mary's Anglican Church Guild
St Patricks School
Terang Police – CPR Machines
Tuniversal Music Group
Variety Club of Victoria
Weerite Public Hall
WestVic Dairy
Yachting Western Victoria
Youth Taking Action

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:

Ann Lucia Cunningham

Co-Chair

Occupation: Lawyer

Qualifications, experience and expertise: Ann has a Bachelor of Arts/Law. She is the co-ordinator of junior cycling at the Camperdown Cycling Club and committee member of the Camperdown Hockey Club.

Special responsibilities: Social media, Chair of Community Investments and Development Committee

Interest in shares: 1000

Brooke Love

Co-Chair

Occupation: Public Servant

Qualifications, experience and expertise: Bachelor of Applied Science and Physical Education. 20 years experience in facility management in the Aquatic & Recreation Industry. Brooke is a member of the Australian Institute of Company Directors and has recently completed training in the Company Directors Course.

Special responsibilities: People and Assets Committee

Interest in shares: Nil

Christopher Raymond Bodey

Vice Chair

Occupation: Farmer

Qualifications, experience and expertise: Member of Cobden Airport Committee of Management. CFA Captain. UDV Branch President. Past Cobden Technical School Councillor.

Special responsibilities: Community Investments and Development Committee

Interest in shares: 1,000

James Alfred Green

Director (Chairman at 30 June 2019)

Occupation: Civil Contracting

Qualifications, experience and expertise: Past Chairman Cobden Sport Club. Past HFNL Board member. Past PCSLSC Committee member.

Special responsibilities: Chairman

Interest in shares: 1,001

Gregory Leigh Suter

Director

Occupation: Cabinet Maker

Qualifications, experience and expertise: Self Employed Cabinet Maker. Cobden Business Network. Progressing Cobden.

Special responsibilities: Finance Committee, Community Investment and Development Committee

Interest in shares: 1

Directors' report (continued)

Directors (continued)

Norman William Duncanson

Director

Occupation: Retired

Qualifications, experience and expertise: 30 years Dairy Factory Manufacture Management. Six years Industry Trainer/Assessor. Diploma Food Technology. Nationally Accredited Industry Trainer. Lions Club Member – 41 years. National Treasurer Lions Eye Health/Vision Programs. Trustee Lions District Charitable Fund. Accredited Lay Presider Uniting Church.

Special responsibilities: People and Assets Committee

Interest in shares: 500

Patricia Jean Robertson

Director

Occupation: Retired

Qualifications, experience and expertise: Past Mayor and Councillor of Town of Camperdown. Current President of Rotary Club of Camperdown. Current Member and Past Chairman of Mt Leura and Mt Sugarloaf Committee of Management. Current Chairman of Camperdown - Timboon Rail Trail Committee. Past District Governor of Rotary International.

Special responsibilities: Community Investment and Development Committee

Interest in shares: 1,000

Rodney Gill Wilcocks

Director (Appointed 7 November 2018)

Occupation: Teacher

Qualifications, experience and expertise: Rodney is an electronics teacher at the Box Hill TAFE. Prior to this role Rodney worked in engineering, research and development, mobile networks and trainer to engineering in India with Telstra for 27 years. He managed two self storage facilities in Melbourne for nine years and was a software distributor in Australia in the self storage industry for two years.

Special responsibilities: Community Investments and Development Committee

Interest in shares: Nil

Rhonda Ann Howard

Director (Appointed 7 November 2018)

Occupation: Manager of Cobden Artificial Breeders Co-Op

Qualifications, experience and expertise: Dairy Farmer for 20 years. Still has beef cattle on her property. Rhonda has managed the Cobden Artificial Breeders Co-Operative since 2004.

Special responsibilities: Community Investments and Innovations Development Committee

Interest in shares: Nil

Simon Charles Buccheri

Director (Resigned 18 June 2019)

Occupation: Accountant

Qualifications, experience and expertise: Bachelor of Business (Accounting) from R.M.I.T. Certified Practising Accountant. Chair of CPA Western Branch Committee. Treasurer of Corangamite Film Society. Treasurer of Universal Music Group. Member of Corangamite Shire's Audit Committee.

Special responsibilities: Vice Chair, Treasurer and Chair of the Finance Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Jennifer Rowan

Director (Appointed 7 November 2018, Resigned 9 January 2019)

Occupation: Project Officer

Qualifications, experience and expertise: Jennifer is a Youth Projects officer for the Corangamite Shire which provides support services for people with a disability. She is a facilitator for youth affairs for Council Victoria and has her Diploma in Youth Work.

Special responsibilities: Nil

Interest in shares: Nil

Steffi Brigit Morris

Director (Resigned 7 November 2018)

Occupation: Business Owner

Qualifications, experience and expertise: Bachelor of Social Work (1st Class Honours). Family Counsellor/Social worker at Timboon Hospital 2 years. Member of Business Development/Marketing committee.

Special responsibilities: Community Investment and Development Committee

Interest in shares: Nil

Milton John Parlour

Director (Resigned 7 November 2018)

Occupation: Real Estate Agent

Qualifications, experience and expertise: Board of **Community Bank**[®] branch. Board of Progressing Cobden. Committee of Management Cobden Civic Hall. Vice President of Tennis Association.

Special responsibilities: Finance Committee

Interest in shares: 2,001

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 Janice Fleming. Janice was appointed to the position of secretary on 15 November 2017.

Janice has a Diploma Business Management and Export Functions. Bookkeeping and administration certificates.

Brief working history: 10 years Export Business Development SE Asia and NZ, 14 years Business Manager automotive field, eight years Sales Development chemical field and five years Admin/Bookkeeping including AP/AR, BAS, Payroll.

Principal Activities

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

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

Directors' report (continued)

Operating results

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

Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
65,552	111,686

Dividends

	Year ended 30 June 2019	
	Cents	\$
Dividends paid in the year	6	43,501

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' report (continued)

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Community Investments and Development		People & Assets		Finance	
	A	B	A	B	A	B	A	B
Ann Lucia Cunnington	12	9	8	8	-	-	-	-
Brooke Love	12	10	-	-	7	7	-	-
Christopher Raymond Bodey	12	10	8	8	-	-	1	1
James Alfred Green	12	9	-	-	-	-	-	-
Gregory Leigh Suter	12	8	-	-	-	-	7	7
Norman William Duncanson	12	10	-	-	7	7	-	-
Patricia Jean Robertson	12	10	8	7	-	-	-	-
Rodney Wilcocks *	8	8	5	4	-	-	-	-
Rhonda Howard *	8	6	5	2	-	-	-	-
Simon Charles Buccheri ^^^	12	11	-	-	-	-	8	8
Jennifer Rowan * ^^	4	-	-	-	-	-	-	-
Steffi Brigit Morris ^	5	3	2	1	-	-	-	-
Milton John Parlour ^	5	4	-	-	-	-	9	7

A - eligible to attend

B - attended

* (Appointed 7 November 2018)

** (Appointed 9 January 2019)

^ (Resigned 7 November 2018)

^^ (Resigned 9 January 2019)

^^^ (Resigned 18 June 2019)

Proceedings on behalf of the company

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

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

Non audit services

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

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

Directors' report (continued)

Non audit services (continued)

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 14.

Signed in accordance with a resolution of the board of directors at Cobden, Victoria on 14 August 2019.



James Alfred Green
Director (Chairman at 30 June 2019)

Auditor's independence declaration



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afs Bendigo.com.au

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Cobden & Districts Community Finance Limited

As lead auditor for the audit of Cobden & Districts Community Finance 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 14 August 2019

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

Financial statements

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

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	892,668	884,682
Employee benefits expense		(497,668)	(414,563)
Charitable donations, sponsorship, advertising and promotion		(65,001)	(80,882)
Occupancy and associated costs		(50,647)	(40,195)
Systems costs		(33,460)	(34,105)
Depreciation and amortisation expense	5	(38,823)	(33,877)
Finance costs	5	(6,861)	(9,479)
General administration expenses		(109,217)	(117,018)
Profit before income tax expense		90,991	154,563
Income tax expense	6	(25,439)	(42,877)
Profit after income tax expense		65,552	111,686
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		65,552	111,686
Earnings per share		¢	¢
Basic earnings per share	22	9.04	15.40

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Trade and other receivables	7	47,369	62,796
Total current assets		47,369	62,796
Non-current assets			
Property, plant and equipment	8	377,578	382,447
Intangible assets	9	27,113	40,669
Deferred tax asset	10	109,593	135,031
Total non-current assets		514,284	558,147
Total assets		561,653	620,943
LIABILITIES			
Current liabilities			
Trade and other payables	11	70,227	78,804
Borrowings	12	65,224	44,249
Provisions	13	29,123	29,520
Total current liabilities		164,574	152,573
Non-current liabilities			
Trade and other payables	11	-	14,912
Borrowings	12	89,552	164,908
Provisions	13	3,134	6,208
Total non-current liabilities		92,686	186,028
Total liabilities		257,260	338,601
Net assets		304,393	282,342
EQUITY			
Issued capital	14	698,455	698,455
Accumulated losses	15	(394,062)	(416,113)
Total equity		304,393	282,342

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017		698,455	(506,049)	192,406
Total comprehensive income for the year		-	111,686	111,686
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(21,750)	(21,750)
Balance at 30 June 2018		698,455	(416,113)	282,342
Balance at 1 July 2018		698,455	(416,113)	282,342
Total comprehensive income for the year		-	65,552	65,552
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(43,501)	(43,501)
Balance at 30 June 2019		698,455	(394,062)	304,393

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		1,002,768	963,574
Payments to suppliers and employees		(861,196)	(762,538)
Interest paid		(6,861)	(9,479)
Net cash provided by operating activities	16	134,711	191,557
Cash flows from investing activities			
Payments for property, plant and equipment		(23,273)	(7,760)
Payments for intangible assets		(13,556)	(13,556)
Net cash used in investing activities		(36,829)	(21,316)
Cash flows from financing activities			
Repayment of borrowings		(75,061)	(124,783)
Dividends paid	20	(43,501)	(21,750)
Net cash used in financing activities		(118,562)	(146,533)
Net increase/(decrease) in cash held		(20,680)	23,708
Cash and cash equivalents at the beginning of the financial year		(39,108)	(62,816)
Cash and cash equivalents at the end of the financial year	12a	(59,788)	(39,108)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

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

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

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$199,733.

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**[®] branches at Cobden and Camperdown, 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**[®] branches 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branches franchises 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®** branches
- 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.

Notes to the financial statements (continued)

Note 1. 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.

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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:

- leasehold improvements 5 - 15 years
- plant and equipment 2.5 - 40 years
- buildings 4 - 40 years
- motor vehicles 3 - 5 years

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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 or 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.

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

m) Provisions

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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

n) Issued capital

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

o) Earnings per share

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

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:

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

Expected credit loss assessment for Bendigo and Adelaide Bank Limited (continued)

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.

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	578,307	592,028
- services commissions	171,772	148,902
- fee income	65,571	66,570
- market development fund	75,000	75,000
Total revenue from operating activities	890,650	882,500
Non-operating activities:		
- other revenue	1,818	2,182
- profit from sale of asset	200	-
Total revenues from ordinary activities	892,668	884,682

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	7,846	2,378
- leasehold improvements	10,346	10,868
- buildings	2,284	2,284
- motor vehicle	4,791	4,791

Amortisation of non-current assets:

- franchise agreement	2,260	2,259
- franchise renewal fee	11,296	11,297
	38,823	33,877

Finance costs:

- interest paid	6,861	9,479
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Note 6. Income tax expense

The components of tax expense comprise:

- Movement in deferred tax	2,221	1,029
- Recoupment of prior year tax losses	23,218	41,848
	25,439	42,877

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 6. Income tax expense (continued)		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	90,991	154,563
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	25,023	42,505
Add tax effect of:		
- non-deductible expenses	416	372
- timing difference expenses	(2,221)	(1,029)
	23,218	41,848
Movement in deferred tax	2,221	1,029
Under/(Over) provision of income tax in the prior year	-	41,848
	25,439	42,877

Note 7. Trade and other receivables

Trade receivables	30,731	50,761
Prepayments	16,638	12,035
	47,369	62,796

Note 8. Property, plant and equipment

Land and buildings

Freehold land		
At cost	49,252	49,252
Buildings		
At cost	91,366	91,366
Less accumulated depreciation	(17,496)	(15,212)
	73,870	76,154
Leasehold improvements		
At cost	341,058	325,087
Less accumulated depreciation	(125,881)	(115,535)
	215,177	209,552
Plant and equipment		
At cost	60,315	59,258
Less accumulated depreciation	(34,019)	(29,543)
	26,296	29,715

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 8. Property, plant and equipment (continued)		
Motor vehicles		
At cost	23,956	23,956
Less accumulated depreciation	(10,973)	(6,182)
	12,983	17,774
Total written down amount	377,578	382,447
Movements in carrying amounts:		
Land		
Carrying amount at beginning	49,252	49,252
Additions	-	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	49,252	49,252
Buildings		
Carrying amount at beginning	76,154	78,438
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,284)	(2,284)
Carrying amount at end	73,870	76,154
Leasehold improvements		
Carrying amount at beginning	209,552	213,691
Additions	15,971	6,729
Disposals	-	-
Less: depreciation expense	(10,346)	(10,868)
Carrying amount at end	215,177	209,552
Plant and equipment		
Carrying amount at beginning	29,715	27,987
Additions	4,427	4,106
Disposals	-	-
Profit on sale on assets	-	-
Less: depreciation expense	(7,846)	(2,378)
Carrying amount at end	26,296	29,715

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 8. Property, plant and equipment (continued)		
Motor vehicles		
Carrying amount at beginning	17,774	22,565
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,791)	(4,791)
Carrying amount at end	12,983	17,774
Total written down amount	377,578	382,447

Note 9. Intangible assets

Franchise fee		
At cost	52,867	52,867
Less: accumulated amortisation	(48,348)	(46,088)
	4,519	6,779
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(91,743)	(80,447)
	22,594	33,890
Total written down amount	27,113	40,669

Note 10. Tax

Non-Current:

Deferred tax assets		
- employee provisions	8,871	9,825
- tax losses carried forward	105,298	128,515
	114,169	138,340
Deferred tax liability		
- deductible prepayments	4,576	3,309
	4,576	3,309
Net deferred tax asset	109,593	135,031
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	25,438	42,887

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 11. Trade and other payables		
Current:		
Trade creditors	29,677	37,435
Other creditors and accruals	40,550	41,369
	70,227	78,804
Non-Current:		
Other creditors and accruals	-	14,912

Note 12. Borrowings

Current:		
Bank overdrafts	59,788	39,108
Equipment loan	5,436	5,141
	65,224	44,249
Non-Current:		
Equipment loan	9,552	14,908
Bank loan	80,000	150,000
	89,552	164,908

The bank overdraft has an approved limit of \$100,000 and attracts an interest rate of 3.77% per bank statement with Bendigo and Adelaide Bank Limited. The overdraft is secured by a fixed floating charge over the company's assets.

The equipment loan is fixed for a term of 60 months commencing March 2017. The loan is secured by a fixed charge over the vehicle 2016 Holden CG Captiva Active Wagon.

The loan is an interest only bank loan which is due to mature 16 March 2022. Interest is now recognised at an average rate of 3.205% (2017: 4.111%). The loan is secured by a fixed charge over the property at 151 Manifold Street, Camperdown.

Note 12 (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:

Bank overdrafts	(59,788)	(39,108)
	(59,788)	(39,108)

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 13. Provisions		
Current:		
Provision for annual leave	14,331	20,602
Provision for long service leave	14,792	8,918
	29,123	29,520
Non-Current:		
Provision for long service leave	3,134	6,208

Note 14. Issued capital

725,012 ordinary shares fully paid (2018: 725,012)	725,012	725,012
Less: equity raising expenses	(26,557)	(26,557)
	698,455	698,455

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Notes to the financial statements (continued)

Note 14. 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 302. As at the date of this report, the company had 327 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.

	2019 \$	2018 \$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(416,113)	(506,049)
Net profit from ordinary activities after income tax	65,552	111,686
Dividends paid or provided for	(43,501)	(21,750)
Balance at the end of the financial year	(394,062)	(416,113)

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 16. Statement of cash flows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	65,552	111,686
Non cash items:		
- depreciation	25,267	20,321
- amortisation	13,556	13,556
- profit on disposal of asset	(200)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	15,427	15,789
- (increase)/decrease in other assets	28,513	42,877
- increase/(decrease) in payables	(9,933)	(4,869)
- increase/(decrease) in provisions	(3,471)	(7,803)
Net cash flows provided by operating activities	134,711	191,557

Note 17. Leases

Finance lease commitments

Payable - minimum lease payments:

- not later than 12 months	5,436	5,141
- between 12 months and 5 years	10,750	17,115
- greater than 5 years	-	-
Minimum lease payments	16,186	22,256
Less future finance charges	(1,198)	(2,207)
Present value of minimum lease payments	14,988	20,049

The equipment loan is fixed for a term of 60 months commencing March 2017. The loan is secured by a fixed charge over the vehicle 2016 Holden CG Captiva Active Wagon

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	16,644	16,441
- between 12 months and 5 years	16,645	32,883
- greater than 5 years	-	-
	33,289	49,324

The Cobden branch property lease is a non-cancellable lease with a five-year term starting from 30 June 2016 with two five-year options available. Rent is payable monthly in advance.

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 18. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- other non audit services	1,830	430
	6,430	4,830

Note 19. Director and related party disclosures

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

Ann Lucia Cunningham
 Brooke Love
 Christopher Raymond Bodey
 James Alfred Green
 Gregory Leigh Suter
 Norman William Duncanson
 Patricia Jean Robertson
 Rodney Wilcocks (Appointed 7 November 2018)
 Rhonda Howard (Appointed 9 January 2019)
 Simon Charles Buccheri
 Jennifer Rowan (Appointed 7 November 2018, Resigned 9 January 2019)
 Steffi Brigit Morris (Resigned 7 November 2018)
 Milton John Parlour (Resigned 7 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
Ann Lucia Cunningham	1,000	-
Brooke Love	-	-
Christopher Raymond Bodey	1,000	1,000
James Alfred Green	1,001	1,001
Gregory Leigh Suter	1	1
Norman William Duncanson	500	500
Patricia Jean Robertson	1,000	1,000
Rodney Wilcocks (Appointed 7 November 2018)	-	-
Rhonda Howard (Appointed 9 January 2019)	-	-
Simon Charles Buccheri	-	-
Jennifer Rowan (Appointed 7 November 2018, Resigned 9 January 2019)	-	-
Steffi Brigit Morris (Resigned 7 November 2018)	-	-
Milton John Parlour (Resigned 7 November 2018)	-	2,001

Ann Lucia Cunningham purchased 1,000 shares during the year.

There was no other movement in director share holdings during the year.

Notes to the financial statements (continued)

	2019 \$	2018 \$
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Note 20. Dividends provided for or paid

a. Dividends paid during the year

Current year dividend		
Unfranked (2018: Unfranked) dividend - 6 cents (2018: 3 cents) per share	43,501	21,750

Note 21. Key management personnel disclosures

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

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

Community Bank® Directors' Privileges Package

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

	2019 \$	2018 \$
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Note 22. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	65,552	111,686
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	725,012	725,012

Note 23. 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 24. 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 25. Segment reporting

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

Notes to the financial statements (continued)

Note 26. 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

37 Curdie Street
COBDEN VIC 3266

Principal Place of Business

37 Curdie Street
COBDEN VIC 3266

Note 27. 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												
Receivables	-	-	-	-	-	-	-	-	30,731	50,761	N/A	N/A
Financial liabilities												
Interest bearing liabilities	59,788	39,108	5,436	5,141	89,552	164,908	-	-	-	-	4.31	2.07
Payables	-	-	-	-	-	-	-	-	29,677	37,435	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.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

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%	(1,548)	(2,092)
Decrease in interest rate by 1%	(1,548)	2,092
Change in equity		
Increase in interest rate by 1%	(1,548)	(2,092)
Decrease in interest rate by 1%	(1,548)	2,092

Directors' declaration

In accordance with a resolution of the directors of Cobden & Districts Community Finance 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.



James Alfred Green
Director (Chairman at 30 June 2019)

Signed on the 14th of August 2019.

Independent audit report



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of Cobden & Districts Community Finance Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Cobden & Districts Community Finance 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

Cobden & Districts Community Finance 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.

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Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 14 August 2019



Joshua Griffin
Lead Auditor

Cobden & Districts **Community Bank®** Branch
37 Curdie Street, Cobden VIC 3266
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www.bendigobank.com.au/cobden

Camperdown branch
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Phone: (03) 5593 2434 Fax: (03) 5593 2460
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