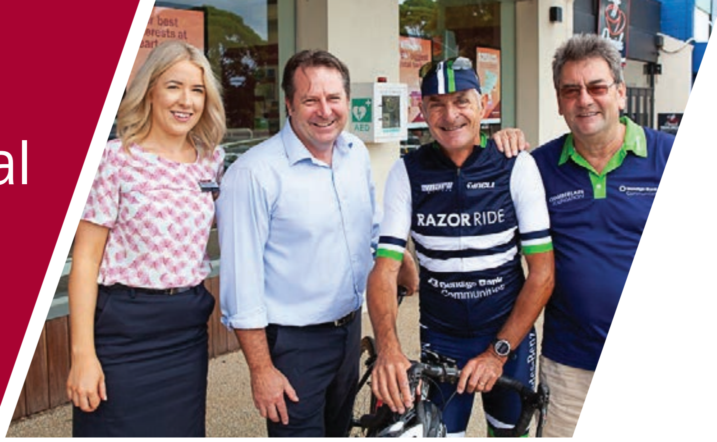
Corangamite Financial Services Limited

ABN 80 105 703 099



2019
Annual Report

Anglesea & District Community Bank Branch

Lorne Community Bank Branch

Winchelsea & District Community Bank Branch

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Chairman's report

For year ending 30 June 2019

It is my pleasure to present the Chairman's report for the 2018/19 financial year. A year in which, once again, we can be proud of achieving significant growth in our banking business.

The continued outcomes from the recent banking inquiry have imposed more regulatory and onerous policies on the banking industry which have an impact at the 'coalface' for our management and staff.

Fortunately, our banking partner Bendigo and Adelaide Bank Limited have reacted quickly and efficiently to these new rules with ongoing consultation and advice through different mediums to both our staff and board.

At the recent Community Bank Conference, attended by six of our Directors, we were pleased to hear Bendigo and Adelaide Bank Limited Managing Director, Marnie Baker, detail her plans to steer the bank successfully into the future.

Acknowledging the revolutionary change in ebanking, cards, mobile lending, regulations, growing sector competition, her major aim is to 'simplify' the banking procedure for both our staff and customers, with staff/customer relationships still a major driver in the Bendigo Bank business strategy.

As a Community Bank branch, our success is significantly linked to the reputation, strategies and outcomes of our banking provider and partner Bendigo and Adelaide Bank Limited. We are extremely confident that this unique partnership model will continue to flourish.

The local business outcomes from our three Community Bank branches at Anglesea, Lorne and Winchelsea have once again exceeded budget. This is an extremely pleasing result considering the challenges facing the financial industry generally. I urge you to read our Senior Manager, Jeremy Morris' report regarding growth and factors contributing to business.

On behalf of the Board, shareholders and customers once again we offer our thanks and congratulations to our committed and passionate staff led by Senior Manager Jeremy Morris, assisted by Branch Manager Matilda Pink in achieving such a significant financial result in business growth.

This growth has enabled us to continue our investment back into our communities with a total of $220,000 paid to over 70 local community groups through our Community Investment Program for the 2018/19 financial year. This is an 'investment' not to be taken for granted. This was an outcome aimed for at our initial foray into the Community Bank model but now exceeding our wildest expectations at that time.

We have also contributed a further $120,000 into the Community Enterprise Foundation™, bringing the total to $635,000 for future community investment. This has to be a major factor in the 'health', 'wealth' and morale of our communities.

Highlights for the year

- Continued strong business/profit growth of $340 million in banking business.
- Community Investment of $240,000 to local community groups.
- Significant investment of $50,000 to support the building of a purpose-built rehabilitation facility for children in the Barwon South West Region (from Little River to the South Australian border).
- Investment of $120,000 into the Community Enterprise Foundation™ for future investment bringing the balance to $635,000.
- Continued employment of 15 professional, local staff.
- Purchasing of premises at Anglesea to be converted to our new 'banking home' over the coming 18 months. This is a significant statement of our commitment to our Anglesea banking business and asset strengthening for our shareholders.
- Continued payment of significant return to our shareholders.

Chairman's report (continued)

I would like to personally thank my fellow volunteer Board members for their support, time and effort to assist our management and staff to continue to grow the business. We welcome Lorne Board Member Garry Fenton and new Associate Board Member Gerard Kelly.

As a group, we have structured an impressive Board culture and belief that the Community Bank model will continue to create successful outcomes for our staff, customers, shareholders and communities.

As a Board, we also offer our thanks to:

- The Bendigo management staff – Former Regional Manager Sue Tansey and former Regional Community Manager Kevin Hannam for their great support. We now welcome Shae Hunt to the role and look forward to her involvement
- Our shareholders and customers for their continued support, advocacy and business referrals. Research shows that "word of mouth" is still a very significant part of our marketing strategy
- Our former Executive Assistant Sue Lubcke for her long-term role in the position and now Moira Thomson filling that role admirably in keeping 'the show on the road'.

To conclude, as you will read from both this report and Senior Manager, Jeremy Morris' report, you should, as a customer or shareholder, be very proud of being a Community Bank branch supporter!

John Knuckey
Chairman

Senior Manager's report

For year ending 30 June 2019

It is my pleasure to present the Senior Manager's report for the 2018/19 financial year.

The Financial Services Industry Royal Commission headlined the media for much of the year with its findings scathing on the banking industry. The references to Bendigo and Adelaide Bank Limited and the Community Bank model were positive and we continue to be Australia's most trusted bank and maintain a local reputation of great relationship banking and as a community enabler and provider.

APRA has introduced a greater emphasis on 'Responsible Lending' requirements for banks assessment of borrower's capacity to repay debt. This has, in turn, increased the level of policy and procedure and has caused a tightening in loan approval numbers and a subsequent effect on the property market. While the heightened responsible lending principles didn't greatly affect our traditionally diligent approval numbers, the detailed assessment process and thorough commentary requirements on each application have certainly increased approval times and internal workloads, slowing the customer experience.

The low interest rate environment continued to flatline with the cash rate remaining at 1.5% until an announcement of a 25-basis point reduction at the June 2019 Reserve Bank meeting, creating a new record low. While creating unprecedented lending interest rates and giving borrowers greater borrowing capacity and an increased ability to repay their existing debt, investors were faced with the reduced retail deposit rates sub 2% p.a., and an uncertainty of exploring alternate investment options outside of the security of 'cash in the bank' to obtain a decent return.

I am pleased to advise that despite the factors described above, we exceeded our business growth target with $22.8 million ($2.5 million over budget) to a total of $339.6 million in business footings, an overall increase of 7%. Our increase was a good spread in the various product suites across our deposit and lending range.

Our local reputation as trusted relationship bankers and a community contributor has never been stronger in our opinion. This translates to a greater market share, with business growth and continued year-on-year profitably, enabling us to invest a new high of over $340,000 back into our community with our total contributions now nearing $2.5 million.

This financial year also saw our first full year of operation in our Lorne Community Bank Branch. The Lorne community has been very receptive and welcoming and with a stronger presence in the township, our banking business continues to strengthen.

On a personal note, I am extremely proud of our staff. They at the forefront of our business, providing financial solutions for our customers, helping them to achieve their financial goals. This, in turn, grows our business and has enabled us to invest back into over seventy local community groups this year.

I would also like to express my thanks to our Board of Directors who volunteer their time, expertise and passion to our Community Bank branches. Your countless hours of commitment are very much appreciated, and our local communities are the beneficiaries of your dedication.

Jeremy Morris
Senior Manager

Directors' report

For the financial year ended 30 June 2019

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

Directors

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

John McKenzie Knuckey

Chair

Occupation: Business Proprietor – Engineering

Qualifications, experience and expertise: Self employed in the agricultural retail and manufacturing industry for 40 years. Past executive of local sporting clubs. Long time local resident.

Special responsibilities: Assets & Finance Committee, Executive Committee, Governance Committee, Marketing and Community Investment Committee

Interest in shares: 4,700

Vaughan Mervyn Lamb

Deputy Chair

Occupation: Retired

Qualifications, experience and expertise: Practicing Solicitor from 1978 to 2018. Qualifications include B.A/LLB (Melbourne). Paul Harris Fellow (Rotary) 1998. Former Chair and board member at Bethany Family Support (1985 to 1996) and Geelong Disabled Peoples Industries. Vaughan is also former board member at Kalkee, Grace McKellar and Geelong Leisure Network.

Special responsibilities: Governance Committee, Executive Committee

Interest in shares: Nil

Raylene Margaret Fordham

Secretary

Occupation: Business Owner

Qualifications, experience and expertise: Managing Director of a national mystery shopping company. Executive Officer of the Anglesea Tourism and Traders Association. Business Owner of a local accommodation facility. Raylene is a goal-oriented professional with solid managerial and people skills. Highly organised and able to manage multiple tasks. Strong work ethic coupled with the deepest commitment to achieving successful outcomes. Highly adaptable to change. Decisive, possessing a keen understanding of commercial realities.

Special responsibilities: Company Secretary, Chair of the Governance Committee, Executive Committee

Interest in shares: Nil

Robert John Earl

Director

Occupation: Civil Contractor

Qualifications, experience and expertise: Qualified Diesel Fitter and holds a Diploma of Occupational Health and Safety. Managed own business and staff since May 1988, ten years in heavy construction and mining. Former president of the Civil Contractors Federation for ten years, founding member of the Winchelsea Tourist and Traders, former member of the SES and Landcare and former mentor at the Winchelsea Primary School.

Special responsibilities: Marketing and Community Investment Committee

Interest in shares: 28,200

Directors' report (continued)

Directors (continued)

Kenneth Ian McDonald

Director

Occupation: Real Estate Agent/Grain Consultant

Qualifications, experience and expertise: Self employed Real Estate Agent/Grain Consultant. Long time local resident and community volunteer.

Special responsibilities: Assets & Finance Committee

Interest in shares: 1,800

John Hubert Tebbutt

Deputy Chair

Director

Occupation: Retired Barrister at Law

Qualifications, experience and expertise: Barrister at Law for 43 years. Licensed Legal Practitioner and Accredited Mediator (Bond University). Past President of the Torquay Golf Club. Part time Farmer.

Special responsibilities: Governance Committee

Interest in shares: Nil

Pamela Margaret Sandlant

Director

Occupation: Retired School Principal

Qualifications, experience and expertise: Diploma of Teaching, Bachelor of Education. Teacher and School Principal 40 years (Management and Education). Director of family business (Farming). Account management, various community involvement in sporting groups and voluntary community groups. Member/minute secretary Committee of management of Anglesea Community House (14 years).

Special responsibilities: Governance Committee

Interest in shares: Nil

Andrew Lindsay Jones

Director (Appointed 12 November 2018)

Occupation: Management Consultant

Qualifications, experience and expertise: Bachelor of Science, Graduate Diploma of Polymer Science & Graduate Diploma of Marketing. Founder and chair of a national business advisory business.

Twenty years experience as General Manager of large manufacturing businesses on glass, packaging and building products industries. Director of Rotary Club of Belmont and APCO Foundation.

Special responsibilities: Chair of Marketing and Community Investment Committees

Interest in shares: Nil

Garrick Charles Fenton

Director (Appointed 29 May 2019)

Occupation: Retired farmer and agricultural consultant

Qualifications, experience and expertise: Farmer, former member of Lorne Hospital Board, Lorne Men's Shed Committee and Ballarat Sports Museum.

Special responsibilities:

Interest in shares: 14,400

Directors' report (continued)

Directors (continued)

Robyn Gaye Erwin

Director (Resigned 29 May 2019)

Occupation: Small Business Owner

Qualifications, experience and expertise: Small business owner. Former Business Development Manager at Geelong Performing Arts Centre. Former Sales and Marketing Manager at All Seasons Hotels.

Special responsibilities: Chair of Marketing & Community Investment Committee

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Raylene Margaret Fordham. Raylene was appointed to the position of secretary on 2 December 2015.

Principal Activities

The principal activities of the company during 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.

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 $
147,880	126,755

Dividends

	Year ended 30 June 2019	
	Cents	$
Dividends paid in the year	6	85,272

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.

Directors' report (continued)

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended							
			Marketing & Community Investment		Assets & Finance		Governance		Executive	
	E	A	E	A	E	A	E	A	E	A
John McKenzie Knuckey	12	12	8	3	2	1	3	1	5	5
Vaughan Mervyn Lamb	12	9	-	-	-	-	3	2	5	3
Robert John Earl	12	10	8	6	2	1	-	1	5	1
Kenneth Ian McDonald	12	10	-	-	2	2	-	-	5	1
John Hubert Tebbutt	12	9	-	-	-	-	3	2	5	2
Pamela Margaret Sandlant	12	9	-	-	2	1	3	3	-	-
Raylene Margaret Fordham	12	11	-	-	2	1	3	3	5	4
Andrew Lindsay Jones (Appointed 12 November 2018)	8	12	8	8	2	2	3	1	5	2
Garrick Charles Fenton (Appointed 29 May 2019)	2	2	-	-	2	1	3	1	1	1
Robyn Gaye Erwin (Resigned 29 May 2019)	10	0	-	-	1	-	-	-	-	-

E - eligible to attend
A - number attended

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*.

Directors' report (continued)

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, in accordance with the advice received from the assets and finance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

- all non-audit services have been reviewed by the assets and finance committee 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 10.

Signed in accordance with a resolution of the board of directors at Winchelsea, Victoria on 20 September 2019.

John McKenzie Knuckey
Chair

Auditor’s independence declaration

Partners in success

Chartered Accountants

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 20 September 2019

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services
Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

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	2,445,129	2,368,566
Employee benefits expense		(1,187,257)	(1,183,200)
Charitable donations, sponsorship, advertising and promotion		(343,152)	(291,419)
Occupancy and associated costs		(228,040)	(219,438)
Systems costs		(103,108)	(115,938)
Depreciation and amortisation expense	5	(110,955)	(104,581)
Finance costs	5	(1,588)	(5,345)
General administration expenses		(262,973)	(270,633)
Profit before income tax expense		**208,056**	**178,012**
Income tax expense	6	(60,176)	(51,257)
Profit after income tax expense		**147,880**	**126,755**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**147,880**	**126,755**

Earnings per share		**¢**	**¢**
Basic earnings per share	25	10.41	8.92

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			
Cash and cash equivalents	7	173,972	283,153
Trade and other receivables	8	192,231	209,964
Total current assets		**366,203**	**493,117**
Non-current assets			
Property, plant and equipment	9	1,926,640	1,178,337
Intangible assets	10	164,603	199,429
Total non-current assets		**2,091,243**	**1,377,766**
Total assets		**2,457,446**	**1,870,883**
LIABILITIES			
Current liabilities			
Current tax liabilities	11	23,771	13,394
Trade and other payables	12	239,604	117,226
Borrowings	13	72,272	57,233
Provisions	14	92,957	106,804
Total current liabilities		**428,604**	**294,657**
Non-current liabilities			
Deferred tax liabilities	11	20,129	14,248
Trade and other payables	12	82,025	123,037
Borrowings	13	440,689	24,852
Provisions	14	34,661	25,359
Total non-current liabilities		**577,504**	**187,496**
Total liabilities		**1,006,108**	**482,153**
Net assets		**1,451,338**	**1,388,730**
EQUITY			
Issued capital	15	966,000	966,000
Reserves	16	111,818	111,818
Retained earnings	17	373,520	310,912
Total equity		**1,451,338**	**1,388,730**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Reserves $	Retained earnings $	Total equity
Balance at 1 July 2017		966,000	111,818	269,429	1,347,247
Total comprehensive income for the year		-	-	126,755	126,755
Transactions with owners in their capacity as owners:					
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	23	-	-	(85,272)	(85,272)
Balance at 30 June 2018		**966,000**	**111,818**	**310,912**	**1,388,730**
Balance at 1 July 2018		966,000	111,818	310,912	1,388,730
Total comprehensive income for the year		-	-	147,880	147,880
Transactions with owners in their capacity as owners:					
Shares issued during period		-	-	-	-
Costs of issuing shares		-	-	-	-
Dividends provided for or paid	23	-	-	(85,272)	(85,272)
Balance at 30 June 2019		**966,000**	**111,818**	**373,520**	**1,451,338**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,652,868	2,543,280
Payments to suppliers and employees		(2,205,472)	(2,208,716)
Interest received		5,041	3,198
Interest paid		(1,588)	(5,345)
Income taxes paid		(43,918)	(47,587)
Net cash provided by operating activities	**18**	**406,931**	**284,830**
Cash flows from investing activities			
Payments for property, plant and equipment		(824,432)	(94,180)
Payments for intangible assets		(37,284)	(49,750)
Net cash (used in) investing activities		**(861,716)**	**(143,930)**
Cash flows from financing activities			
Repayment of borrowings		(73,124)	(36,786)
Proceeds from borrowings		504,000	-
Dividends paid	23	(85,272)	(85,272)
Net cash provided by/(used in) financing activities		**345,604**	**(122,058)**
Net increase/(decrease) in cash held		**(109,181)**	**18,842**
Cash and cash equivalents at the beginning of the financial year		283,153	264,311
Cash and cash equivalents at the end of the financial year	**7(a)**	**173,972**	**283,153**

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 branches. 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 $1,480,023.

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 Winchelsea, Anglesea and Lorne, Victoria.

The branches operate 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 franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line 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:

- buildings 40 years
- leasehold improvements 5 - 15 years
- furniture and fittings 4 - 40 years
- motor vehicles 3 - 5 years

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

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.

<u>Classification and subsequent measurement</u>

(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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment (continued)

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

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.

Note 1. Summary of significant accounting policies (continued)

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.

<u>Expected credit loss assessment for Bendigo and Adelaide Bank Limited</u>

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

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

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

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

Note 2. Financial risk management (continued)

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

Note 3. Critical accounting estimates and judgements (continued)

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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

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

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

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

Fair value measurement

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

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

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

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

Note 4. Revenue from ordinary activities

	2019 $	2018 $
Operating activities:		
- gross margin	1,939,706	1,952,759
- services commissions	226,412	158,896
- fee income	180,376	180,874
- market development fund	67,500	57,083
Total revenue from operating activities	**2,413,994**	**2,349,612**
Non-operating activities:		
- interest received	5,041	3,198
- rental revenue	24,083	13,332
- other revenue	2,011	2,424
Total revenue from non-operating activities	**31,135**	**18,954**
Total revenues from ordinary activities	**2,445,129**	**2,368,566**

	2019 $	2018 $

Note 5. Expenses

Depreciation of non-current assets:		
- buildings	14,048	21,878
- furniture and fittings	11,585	9,780
- leasehold improvements	25,120	12,016
- motor vehicles	25,376	25,652
Amortisation of non-current assets:		
- franchise fee	15,798	19,050
- renewal fee	19,028	16,205
	110,955	**104,581**
Finance costs:		
- interest paid	**1,588**	**5,345**
Bad debts	**904**	**86**

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	54,295	51,238
- Movement in deferred tax	5,881	19
	60,176	**51,257**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	208,056	178,012
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	57,216	48,954
Add tax effect of:		
- non-deductible expenses	2,960	2,303
- timing difference expenses	(5,881)	(19)
	54,295	**51,238**
Movement in deferred tax	5,881	19
	60,176	**51,257**

Note 7. Cash and cash equivalents

Cash at bank and on hand	164,884	41,848
Term deposits	9,088	241,305
	173,972	**283,153**

Notes to the financial statements (continued)

	Note	2019 $	2018 $

Note 7. Cash and cash equivalents (continued)

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Cash at bank and on hand		164,884	41,848
Term deposits		9,088	241,305
		173,972	**283,153**

Note 8. Trade and other receivables

Trade receivables		173,994	183,486
Prepayments		18,237	26,478
		192,231	**209,964**

Note 9. Property, plant and equipment

Land and buildings			
Freehold land			
At independent valuation	**19**	**100,000**	**100,000**
Freehold land			
At cost		**284,597**	**100,000**
Buildings - Winchelsea			
At fair value		412,500	400,000
Less accumulated depreciation		(20,479)	(10,000)
	19	**392,021**	**390,000**
Buildings - Anglesea			
At cost		478,000	-
Less accumulated depreciation		(3,569)	-
		474,431	**-**
Total land and buildings		**1,251,049**	**490,000**
Fit out - Winchelsea			
At cost		288,839	288,839
Less accumulated depreciation		(74,275)	(62,397)
		214,564	**226,442**

	2019 $	2018 $
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
At cost	400,977	365,613
Less accumulated depreciation	(66,396)	(53,154)
	334,581	**312,459**
Plant and equipment		
At cost	13,377	13,377
Less accumulated depreciation	(13,377)	(13,377)
	-	**-**
Motor vehicles		
At cost	205,207	205,207
Less accumulated depreciation	(124,252)	(98,876)
	80,955	**106,331**
Furniture and fittings		
At cost	166,530	152,559
Less accumulated depreciation	(121,039)	(109,454)
	45,491	**43,105**
Total written down amount	**1,926,640**	**1,178,337**
Movements in carrying amounts:		
Land		
Carrying amount at beginning	100,000	100,000
Additions	284,597	-
Disposals	-	-
Carrying amount at end	**384,597**	**100,000**
Buildings - Winchelsea		
Carrying amount at beginning	390,000	400,000
Additions	12,500	-
Disposals	-	-
Less: depreciation expense	(10,479)	(10,000)
Carrying amount at end	**392,021**	**390,000**

Notes to the financial statements (continued)

	2019 $	2018 $
Note 9. Property, plant and equipment (continued)		
Buildings - Anglesea		
Carrying amount at beginning	-	-
Additions	478,000	-
Disposals	-	-
Less: depreciation expense	(3,569)	-
Carrying amount at end	**474,431**	**-**
Fit out - Winchelsea		
Carrying amount at beginning	226,442	238,320
Additions	-	-
Disposals	-	-
Less: depreciation expense	(11,878)	(11,878)
Carrying amount at end	**214,564**	**226,442**
Leasehold improvements		
Carrying amount at beginning	312,459	243,190
Additions	35,364	81,285
Disposals	-	-
Less: depreciation expense	(13,242)	(12,016)
Carrying amount at end	**334,581**	**312,459**
Motor vehicles		
Carrying amount at beginning	106,331	131,983
Additions	-	-
Disposals	-	-
Less: depreciation expense	(25,376)	(25,652)
Carrying amount at end	**80,955**	**106,331**
Furniture and fittings		
Carrying amount at beginning	43,105	39,991
Additions	13,971	12,894
Disposals	-	-
Less: depreciation expense	(11,585)	(9,780)
Carrying amount at end	**45,491**	**43,105**
Total written down amount	**1,926,640**	**1,178,337**

	2019 $	2018 $

Note 10. Intangible assets

	2019 $	2018 $
Franchise fee		
At cost	256,059	256,059
Less: accumulated amortisation	(178,935)	(163,137)
	77,124	**92,922**
Renewal processing fee		
At cost	169,616	169,616
Less: accumulated amortisation	(94,603)	(75,575)
	75,013	**94,041**
Lorne agency buy-out		
At cost	**12,466**	**12,466**
Total written down amount	**164,603**	**199,429**

Note 11. Tax

	2019 $	2018 $
Current:		
Income tax payable	**23,771**	**13,394**
Non-current:		
Deferred tax assets		
- accruals	853	908
- employee provisions	35,096	36,345
	35,949	**37,253**
Deferred tax liability		
- property, plant and equipment	56,078	51,501
	56,078	**51,501**
Net deferred tax liability	**(20,129)**	**(14,248)**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Incom2e	**5,881**	**18**

Note 12. Trade and other payables

	2019 $	2018 $
Current:		
Other creditors and accruals	**239,604**	**117,226**
Non-current:		
Other creditors and accruals	**82,025**	**123,037**

Notes to the financial statements (continued)

	Note	2019 $	2018 $
Note 13. Borrowings			
Current:			
Chattel mortgage:	20		
Vehicle loan		9,116	12,649
Bus loan		-	44,584
		9,116	**57,233**
Anglesea loan		63,156	-
		72,272	**57,233**
Non-Current:			
Chattel mortgage:			
Vehicle loan	**20**	**15,736**	**24,852**
Anglesea loan		**424,953**	**-**
		440,689	**24,852**

The chattel mortgage for the two Captiva's is secured against the underlying financed motor vehicles. Repayments are currently $1,177.90 per month with the facility set to expire in February 2020.

The chattel mortgage for the Bus was secured against the underlying financed motor vehicle. Fully repaid in September 2018.

The Anglesea loan is a non-residential secured facility acquired for the purchase of 65 Great Ocean, Anglesea with a variable interest rate of 4.59% and repayments of $5,297 as at 30 June 2019.

	2019 $	2018 $
Note 14. Provisions		
Current:		
Provision for annual leave	46,040	51,532
Provision for long service leave	46,917	55,272
	92,957	**106,804**
Non-Current:		
Provision for long service leave	**34,661**	**25,359**

Note 15. Issued capital

1,421,200 ordinary shares fully paid (2018: 1,421,200)	**966,000**	**966,000**

A bonus share issue on a 4:5 basis (455,200 shares) was issued to all existing shareholders during 2007.

Note 15. Issued capital (continued)

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*.

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 303. As at the date of this report, the company had 466 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.

Notes to the financial statements (continued)

Note 15. Issued capital (continued)

Prohibited shareholding interest (continued)

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 16. Reserves

Asset revaluation reserve	**111,818**	**111,818**

Reserve relates to Winchelsea property revaluations in prior years.

Note 17. Retained earnings

Balance at the beginning of the financial year	310,912	269,429
Net profit from ordinary activities after income tax	147,880	126,755
Dividends provided for or paid	(85,272)	(85,272)
Balance at the end of the financial year	**373,520**	**310,912**

Note 18. 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	147,880	126,755
Non cash items:		
- depreciation	76,129	69,326
- amortisation	34,826	35,255

	2019 $	2018 $
Note 18. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	17,733	(16,880)
- (increase)/decrease in other assets	-	(183,204)
- increase/(decrease) in payables	118,650	220,230
- increase/(decrease) in provisions	(4,545)	19,935
- increase/(decrease) in current tax liabilities	16,258	13,413
Net cash flows provided by operating activities	**406,931**	**284,830**

Note 19. Fair value measurement

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

At 30 June 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Property, Plant and Equipment				
Freehold land	-	100,000	-	100,000
Buildings	-	392,021	-	392,021
	-	**492,021**	**-**	**492,021**
Total assets at fair value	**-**	**492,021**	**-**	**492,021**

At 30 June 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Property, Plant and Equipment				
Freehold land	-	100,000	-	100,000
Buildings	-	390,000	-	390,000
	-	**490,000**	**-**	**490,000**
Total assets at fair value	**-**	**490,000**	**-**	**490,000**

Notes to the financial statements (continued)

Note 19. Fair value measurement (continued)

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

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

	2019 $	2018 $
Note 20. Leases		
Chattel mortgage commitments		
Payable - minimum lease payments:		
- not later than 12 months	9,423	58,820
- between 12 months and 5 years	15,736	25,160
Minimum lease payments	**25,159**	**83,980**
Less future finance charges	(307)	(1,895)
Present value of minimum lease payments	**24,852**	**82,085**
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	122,085	122,085
- between 12 months and 5 years	137,085	259,170
	259,170	**381,255**

The lease on the Anglesea branch property is a non-cancellable lease which commenced on 1 July 2016 and will cease on 30 June 2021. Annual rent is currently $77,085 (plus GST).

The lease on the Lorne branch property is a non-cancellable lease which commenced 15 October 2016 and will cease on 15 October 2021. Annual rent is currently $45,000 (plus GST).

	2019 $	2018 $

Note 21. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

	2019 $	2018 $
- audit and review services	4,800	4,940
- non audit services	4,630	4,040
	9,430	**8,980**

Note 22. Director and related party disclosures

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

John McKenzie Knuckey
Vaughan Mervyn Lamb
Robert John Earl
Kenneth Ian McDonald
John Hubert Tebbutt
Pamela Margaret Sandlant
Raylene Margaret Fordham
Andrew Lindsay Jones (Appointed 12 November 2018)
Garrick Charles Fenton (Appointed 29 May 2019)
Robyn Gaye Erwin (Resigned 29 May 2019)

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**
John McKenzie Knuckey	4,700	4,700
Vaughan Mervyn Lamb	-	-
Robert John Earl	28,200	28,200
Kenneth Ian McDonald	1,800	1,800
John Hubert Tebbutt	-	-
Pamela Margaret Sandlant	-	-
Raylene Margaret Fordham	-	-
Andrew Lindsay Jones (Appointed 12 November 2018)	-	-
Garrick Charles Fenton (Appointed 29 May 2019)	14,400	-
Robyn Gaye Erwin (Resigned 29 May 2019)	-	-

There was no movement in directors' shareholdings during the year.

Notes to the financial statements (continued)

Note 23. Dividends provided for or paid

	2019 $	2018 $
a. Dividends paid during the year		
Current year dividend		
100% (2018: 100%) franked dividend - 6 cents (2018: 6 cents) per share	**85,272**	**85,272**
The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	259,622	248,047
- franking credits that will arise from payment of income tax as at the end of the financial year	23,770	13,394
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year		-
Franking credits available for future financial reporting periods:	**283,392**	**261,441**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**283,392**	**261,441**

Note 24. 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 Winchelsea, Anglesea and Lorne, Victoria. 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.

For the year ended 30 June 2019 there have been no benefits received by the Directors from the Directors Privilege Package.

Note 25. Earnings per share

	2019 $	2018 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	147,880	126,755
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,421,200	1,421,200

Notes to the financial statements (continued)

Note 26. 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 27. 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 28. Segment reporting

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

Note 29. 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
Corangamite Financial Services Ltd
11 Main Street,
Winchelsea VIC 3241

Principal Place of Business
Winchelsea Community Bank Branch
11 Main Street,
Winchelsea VIC 3241

Anglesea Community Bank Branch
97 Great Ocean Road,
Anglesea VIC 3230

Lorne Community Bank Branch
1/32 Mountjoy Parade
Lorne VIC 3232

Note 30. 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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 %**	**2018 %**
Financial assets												
Cash and cash equivalents	164,619	41,323	9,088	241,305	-	-	-	-	265	525	1.65	0.89
Receivables	-	-	-	-	-	-	-	-	173,994	183,486	N/A	N/A

Notes to the financial statements (continued)

Note 30. Financial instruments (continued)

Financial Instrument Composition and Maturity Analysis (continued)

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 %**	**2018 %**
Financial liabilities												
Interest bearing liabilities	-	-	72,272	57,233	440,689	24,852	-	-	-	-	4.12	5.39
Payables	-	-	-	-	-	-	-	-	141,568	-	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	(3,393)	2,005
Decrease in interest rate by 1%	3,393	(2,005)
Change in equity		
Increase in interest rate by 1%	(3,393)	2,005
Decrease in interest rate by 1%	3,393	(2,005)

Directors' declaration

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

In the opinion of the directors:

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

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

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

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

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

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

John Knuckey

John McKenzie Knuckey
Chair

Signed on the 20th of September 2019.

Independent audit report

Partners in success

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 Corangamite Financial Services Limited

Report on the audit of the financial report

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

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

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

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

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

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

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

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

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: 20 September 2019

Joshua Griffin
Lead Auditor

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