Annual Report 2019

Dingley Village Financial Services Limited

ABN 27 098 041 493

Dingley Village Community Bank Branch

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Chair's report

For year ending 30 June 2019

Welcome to the 18th annual report. As we enter our 19th year of operation we continue to move from strength to strength as we celebrate this major milestone and a significant achievement for Dingley Village Community Bank Branch. We have operated for 18 full financial years having commenced operation on 22nd April 2002. Dingley Village Community Bank Branch was established in February 2001 and remains a very successful single branch site in the Bendigo Bank branch network; this is testament to our vibrant, thriving and dedicated community, Dingley Village.

As you will no doubt be aware, as in past years, we continue to be involved in a number of exciting projects and initiatives that Dingley Village Community Bank Branch has either facilitated, or participated in, with other key stakeholders. While there are simply too many projects, groups and organisations that we have assisted to mention in this report, the following snapshot provides a wonderful insight into our contribution to the local community.

In this last financial year, we continued to maintain our existing levels of support for local kindergartens, primary schools, secondary schools, sporting clubs, charitable organisations and organisations which support and assist vulnerable members of our community. Put simply, our community continues to thrive and grow with the support of Dingley Village Community Bank Branch.

We continue to fund new and exciting community projects. We also continue to fund a series of community initiatives that support our youth and their wellbeing, such as providing fresh fruit for each of the primary schools during school term. We remain a supporter of the Chairman's Scholarship – a scholarship awarded to a Dingley resident to assist them with education or philanthropic activities, the Kids Giving Back program, which allows a group of Dingley primary school children to propose to the board initiatives that help the community.

As in past years, we are proud to continue with the DV Youth Foundation Project, which allows a group of teenagers from secondary schools and sporting clubs to propose to the board projects that will benefit teenagers living in the Dingley community. And finally, the Young Achiever Award which is aimed at promoting a local young entrepreneur, providing a small grant as well as having access to the board in terms of mentoring. We allocated funds for many community projects, which serves to strengthen our community asset balance sheet, and it is heartening to see these community assets now in use.

These community assets represent the success of a wider collaboration between residents, participants, stakeholders and business – including Dingley Village Financial Services Limited and the owners of this company; the shareholders.

We are on the cusp of returning nearly $5 million back to our local community. This figure will be achieved very soon. The overall amount will continue to grow and we could not achieve these milestones without your continued support. The ever-increasing amount is demonstrative of the strength of, and testament to, our vibrant community. We also continue to enjoy very strong support from our customers.

From our humble beginnings and the sustained growth that we have enjoyed over the successive years, we can lay claim to being a strong financial company and an excellent corporate citizen. Dingley Village Community Bank Branch now has over $200 million worth of banking business and the company employs nine staff. As funding and donations from alternative sources has become non-existent or extremely scarce in recent years for various organisations, Dingley Village Community Bank Branch has continued to strengthen its position within the community in assisting others. This has resulted in a flourishing and thriving community that we should all feel a strong sense of pride in.

To you, our shareholders and owners, who together with our board members over the last thirteen years, you have put faith in a new banking concept and contributed your funds through a prospectus to raise $630,000 to fund our community enterprise – Dingley Village Community Bank Branch.

What is now factually correct is that the capital that you invested to establish Dingley Village Community Bank Branch has in turn created what we might describe as 'community assets'. Therefore, as previously highlighted, we could quite rightly include these assets on the Community Balance Sheet of Dingley Village.

These include: the community bus, the netball courts, football and cricket club electronic scoreboard and new cricket nets, the Rotary memorial, electronic signage for our schools, sports uniforms and ancillary equipment and the many other smaller provisions made to the

For year ending 30 June 2019

many groups. These are assets paid for by the profits of Dingley Village Community Bank Branch, for the benefit of members of the community to enjoy and use in the years to come.

Year in review

We have survived many economic challenges in the last decade, including the GFC in 2008, and the GFC 2 in 2011. We have actually managed to progress through them and maintain profits and dividends in what has become the new normal of low interest rates and a flat economy.

In 2016, Bendigo Bank adopted and implemented the funds transfer pricing model. We have now successfully implemented this new model for over 24 months. While revenue streams are calculated differently, as a successful single site branch, we anticipate that we shall continue to thrive and enjoy strong success in the years to come. The economic environment continues to be challenging on many levels and we are not immune from operating in turbulent financial times.

We have welcomed Penny Leonard to the role of Branch Manager and we are fortunate to have had Penny leading the branch since May 2018. Penny comes to Dingley Village with a proven track record and we are confident she will lead the branch to a new phase of trading and success.

The branch continues to grow and remains a friendly, efficient and professional team. Penny has many years managing branches and is revelling in the Community Bank model and the successes we are a part of in our community. I also commend each of the staff members to you. Staff morale is always of the highest order and they remain the face of the business and the nexus between the company and the community. They never fail to have a smile on their face and are always eager and willing to assist. Never forget, you can still telephone the branch on 9551 6111 and speak to a real person, without having to push a single extra digit.

I also thank Ann Reid for her work in the company office and service to the company. Ann retired on 30 June 2019 and we wish her well in her retirement after many years of dedication and service to Dingley Village Financial Services Limited.

We welcome Buddhini Wickramarathne to Dingley Village in a dual role replacing Ann Reid in the company office, and within the branch team as well.

In summary, we continue to have strong banking business. When one considers that we have a charter to distribute 80% of our profits to our local community, it is encouraging for us to continue to do so.

Board members

We remain reflective of a diverse and modern board that reflects the modern society within which we operate. Our board is dynamic and reflective of the wider community and we have a full board of 10 directors

As Chairman, I wish to personally thank all board members and their partners for their support over the years for the time they have given this company on a voluntary basis. Their commitment, dedication and support to me, as the Chairman, is measured by the fact of the extraordinary success Dingley Village Community Bank Branch has achieved during that time.

Sadly, Bryan Ford is retiring from the board. Bryan has served with us for 17 years and he is the longest serving director of our community company. Bryan has served with distinction and on behalf of the Board, I would like to thank him for his service and wish him well in all future endeavours.

The board members act without remuneration, voluntarily and for the benefit of the shareholders of the community. They give selflessly and without any accolade and little, if any, recognition.

I am confident the coming years will bring continued success for Dingley Village Community Bank Branch through the board, shareholders and most importantly, the passionate Dingley Village community.

I wish you all a safe and prosperous holiday season and look forward to continuing and extending our successes in 2020.

David Starvaggi
Chairman

Branch Manager's report

For year ending 30 June 2019

I'd like to tell you a story of the year that was. The nineteenth year of the 21st Century sees technology playing a growing part in our lives. And yet, people seek out human connection and businesses that offer a real and genuine experience.

I'm proud to be leading the amazing team at Dingley Village Community Bank Branch in my second year as Manager. Terese, Susie, Akanksha, Buddhini, Amanda, Bree, Sally and Teary all do an amazing job day-in and day-out.

During the year, we grew our customer base past the fantastic milestone of 5000 customers. Funds under management closed at $216 million in total business with deposits contributing $111 million, lending $75 million and other business $30 million.

There is still work to do, as the banking environment is competitive and we are in a low-interest cycle. Political uncertainty and the Royal Commission have contributed to subdued confidence. Our lending rates slowed last year, and we are making growth a priority next year.

I'm looking forward with positivity to 2020; we're already seeing a lift in auction clearance rates in South East Melbourne and renewed investor and first home buyer interest in the market.

I'd like to acknowledge the service of Anne McAllister who retired on 31st December 2018 and Ann Reed who retired at the end of the financial year. Both retiring after nine years of service to the branch and the local community. At the same time, we welcomed Suzie back after a few years away, raising a family.

I would also like to take this opportunity to personally thank my board of volunteer directors for all of their hard work over the year. I look forward to the year ahead and the continued growth and success of Dingley Village Community Bank Branch.

Marnie Baker, Managing Director of Bendigo Adelaide Bank has taken steps to reshape our business for the future to continue to provide the best outcomes for our customers, with a focus on the need to simplify the way we do business. Evolving at pace and being adaptive will be our new way of working. The story we continue to tell in our community is of course supported by seamless customer experience, training for our team, and a focus on sustainable growth. Competition will remain strong, yet we have something that people are looking for; a genuine market position centred on our community support.

I firmly believe the way to success is to continue to tell our story and make real, personal and human connections with all stakeholders in our community. We will continue to encourage them to share the vision of a stronger community that comes from doing business together.

Here's to a prosperous 2020 for Dingley Village Community Bank Branch and the local community.

Penny Leonard
Branch Manager

Directors' report

For year ending 30 June 2019

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

General information

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

David Starvaggi (Chairman)

Qualifications: Magistate, barrister and current member of the Victorian Bar with experience in commercial, family and criminal law. Board member of the Springvale Monash Legal Service since 2004 and also former Deputy Chairman of this body.
Interest in shares: 500

Bryan Ford (Vice Chairman)

Qualifications: 22 years director/owner of two offices in major real estate franchise. Total of 32 years experience in real estate. Past Director Governor, Zone Chairman, President and life member of Apex Australia. Past President and Director of Oakleigh Football Club (VFA). Current Managing Director of Melbourne Wide Property Advocate Services.
Interest in shares: 5,000

Kanwar Singh (Company Secretary)

Qualifications: MBA; Bachelor of Commerce (Hons); Fellow CPA Australia; Fellow IPA; Fellow NTAA. Managing Director of SS Accounting Solutions, Dingley Village. Has been involved with the Dingley Village community for over 24 years and is actively involved in local Dingley Village Cricket Club. Treasurer and Company Secretary; Finance & HR sub-committee member.
Interest in shares: 5,000

Darren Bodey

Qualifications: Qualified electrician, registered commercial building practitioner, 24 years as the managing director. Director of Dingley Village Financial Services Limited for 13 years.
Interest in shares: 5,000

Stephen Duggan

Qualifications: MBA (Distinction), Grad.Dip. Trademark Practice, B.Business. Long-term resident of Dingley Village. Over 23 years of general management experience across a diverse range of industries, with responsibilities for domestic and international markets. Previous board and committee experience. Currently President of John Monash Science School Council, Marketing sub committee member, HR sub committee member.
Interest in shares: 500

For year ending 30 June 2019

Leigh Menzel

Qualifications: B.Sc (Ma) University of Adelaide and currently a computer programmer at AppliCad Australia. Board member for ten years and part of the Marketing sub committee.
Interest in shares: 1,000

Julieanne Pool

Qualifications: Extensive background in human resources, training, customer service and office management and administration. Involved in local netball and softball for over 49 years and has served on numerous committees. Current Secretary and a life member of the Springvale and District Netball Association.

Adam Arness

Qualifications: Bachelor of Laws LL.B. Monash University. Grad Dip. Legal Practice. Recently admitted to the Supreme Court of Victoria as an Australian lawyer. Extensive experience on local committees, youth volunteering and education via tutoring and lecturing both secondary and tertiary students.

Theodora Kambouris

Qualifications: Dora is the Principal of Ray White Dingley Village and an active member of the community. She is involved in Kingswood Primary School (as a community member on the school council), a local Rotarian and sponsors local community groups including all three primary schools, two kindergartens, Rotary Club, Dingley Football Club, the Salvation Army and Make a Difference Foundation – just to name a few. She also organises the Ray of Difference Fundraising event every Christmas in Dingley Village.

Vittesh Lilani (Company Treasurer)

Qualifications: FCPA, IPA, FNTAA, Dip of Financial Planning, MIT, BCom with 15 years of experience in the field of accounting and taxation. Director in Accounting Solutions, SS Group of Companies and Evertop Commodities (Australia) Pty Ltd. He has been involved with the in Integration of varied culture groups within the larger community. Treasurer and & Finance sub-committee member.
Interest in shares: 1,500
Appointed 18 January 2019

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

For year ending 30 June 2019

Principal activities

The principal activity of Dingley Village Financial Services Limited during the financial year were the provision of banking services to the business and residential community.

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

Operating results

The profit of the company after providing for income tax amounted to $(16,659) (2018: $154,644).

Significant changes in state of affairs

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

Matters or circumstances arising after the end of the year

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

Environmental matters

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

Dividends paid or recommended

Dividends paid or declared since the start of the financial year are as follows:

- A fully-franked dividend of $56,700 was paid during the year as recommended in last year's report.

Meetings of directors

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

	Directors' meetings	
	Number eligible to attend	**Number attended**
David Starvaggi (Chairman)	11	11
Bryan Ford (Vice Chairman)	11	7
Kanwar Singh (Company Secretary/Treasurer)	11	7
Darren Bodey	11	11
Stephen Duggan	11	9
Leigh Menzel	11	4
Julieanne Pool	11	10
Andrea Rahilly – *Resigned 18 January 2019*	5	4
Adam Arness	11	7
Theodora Kambouris	11	4
Vittesh Lilani – *Appointed 18 January 2019*	6	6

Directors' report (continued)

For year ending 30 June 2019

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification and insurance of officers and auditors

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The premiums for each director amounted to $475.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2019 has been received and can be found on page 9 of the report.

Remuneration report

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

The board's policy in respect of the Branch Manager is to maintain remuneration at parity within the Community Bank network and local market rates for comparable roles.

There are no company executives who are directly accountable and responsible for the strategic direction of the entity. This is wholly a board role (who act in a voluntary capacity).

Dingley Village Financial Services Limited has accepted 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 Dingley Village Community Bank Branch. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to use the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Signed in accordance with a resolution of the board of directors:

David Starvaggi
Chair

Kanwar Singh
Company Secretary/Treasurer

Dated 27 September 2019

Auditor's independence declaration

ASHFORDS
AUDIT AND ASSURANCE

Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Suite 5, 14 Garden Blvd, Dingley VIC 3172
PO Box 1462, Clayton South VIC 3169
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Dingley Village Financial Services Limited
ABN 27 098 041 493

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Dingley Village Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

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

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

Ashfords Audit and Assurance

Ashfords Audit and Assurance Pty Ltd

Andrew White - CA
Director

27 September 2019

Dingley

Financial statements

Statement of Profit or Loss and Other Comprehensive Income
For year ending 30 June 2019

	Notes	2019 $	2018 $
Revenue	4	1,501,899	1,639,088
Employee benefits expense		(774,091)	(604,956)
Depreciation and amortisation expense		(28,011)	(25,914)
Sponsorship and marketing expenses		(347,221)	(429,426)
Occupancy expenses		(203,797)	(193,807)
Computer expenses		(32,989)	(29,199)
Other expenses	5	(148,008)	(138,118)
Profit/(loss) before income tax		**(32,218)**	**217,668**
Income tax expense	6	15,559	(63,024)
Profit/(loss) for the year		**(16,659)**	**154,644**
Other comprehensive income, net of income tax		**–**	**–**
Total comprehensive income/(loss) for the year		**(16,659)**	**154,644**

Earnings per share			
Basic earnings per share (cents)		(2.60)	24.50

The company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations. The company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

Balance Sheet
As at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	8	458,934	588,644
Trade and other receivables	9	136,696	152,101
Current tax receivable	19	28,592	–
Total current assets		**624,222**	**740,745**
Non current assets			
Property, plant and equipment	10	230,067	244,903
Deferred tax assets	19	27,076	15,051
Intangible assets	11	23,018	34,527
Total non-current assets		**280,161**	**294,481**
Total assets		**904,383**	**1,035,226**
LIABILITIES			
Current liabilities			
Trade and other payables	12	79,804	105,273
Current tax liabilities	19	–	36,349
Employee benefits	13	53,594	45,781
Total current liabilities		**133,398**	**187,403**
Non current liabilities			
Deferred tax liabilities	19	170	170
Employee benefits	13	5,469	8,948
Total non current liabilities		**5,639**	**9,118**
Total liabilities		**139,037**	**196,521**
Net assets		**765,346**	**838,705**
EQUITY			
Issued capital	14	567,010	567,010
Retained earnings		198,336	271,695
Total equity		**765,346**	**838,705**

The company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations. The company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement.*

The accompanying notes form part of these financial statements.

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

	Note	Ordinary shares $	Retained earnings $	Total $
2019				
Balance at 1 July 2018		**567,010**	**271,695**	**838,705**
Total comprehensive income for the year		–	(16,659)	(16,659)
Dividends paid or provided for	7	–	(56,700)	(56,700)
Balance at 30 June 2018		**567,010**	**198,336**	**765,346**
2018				
Balance at 1 July 2017		**567,010**	**167,451**	**734,461**
Total comprehensive income for the year		–	154,644	154,644
Dividends paid or provided for	7	–	(50,400)	(50,400)
Balance at 30 June 2018		**567,010**	**271,695**	**838,705**

The company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations. The company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities:			
Receipts from customers		1,510,971	1,643,060
Payments to suppliers and employees		(1,529,039)	(1,419,694)
Interest received		6,333	5,590
Income taxes paid		(61,407)	(23,216)
Net cash provided by/(used in) operating activities	23	**(73,142)**	**205,740**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(1,666)	(14,080)
Net cash used by investing activities		**(1,666)**	**(14,080)**
Cash flows from financing activities:			
Dividends paid		(54,902)	(50,400)
Net cash used by financing activities		**(54,902)**	**(50,400)**
Net increase/(decrease) in cash and cash equivalents held		(129,710)	141,260
Cash and cash equivalents at beginning of year		588,644	447,384
Cash and cash equivalents at end of financial year	8	**458,934**	**588,644**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2019

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

The functional and presentation currency of Dingley Village Financial Services Limited is Australian dollars.

The financial report was authorised for issue by the directors on 27 September 2019.

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. Otherwise comparatives are consistent with prior years, unless otherwise stated.

Note 1. Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

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

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

Note 2. Summary of significant accounting policies

(a) Income tax

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

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

Deferred tax is not provided for the following:

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

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

Note 2. Summary of significant accounting policies (continued)

(a) Income Tax (continued)

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

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(b) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

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

(c) Revenue and other income

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

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

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.

Note 2. Summary of significant accounting policies (continued)

(c) Revenue and other income (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.

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

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

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

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This also included Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these became margin products from 1 July 2016.

Fee income

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

Discretionary financial contributions

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

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

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

Note 2. Summary of significant accounting policies (continued)

(c) Revenue and other income (continued)

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

(d) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

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

(e) Property, plant and equipment

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

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

Note 2. Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Plant and equipment

Plant and equipment are measured using the revaluation model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on straight-line or deducing balance basis over the assets useful life to the company, commencing when the asset is ready for use.

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

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

Fixed asset class	Depreciation rate
Plant and equipment	7.5% to 37.5%
Leasehold improvements	2.5% to 20%

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

(f) Financial instruments

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

- financial assets that are measured at fair value through other comprehensive income
- 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 and loss.

Loss allowance is not recognised for:

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

Expected credit losses are the probability-weighted estimate of credit loss 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 at every reporting period, but instead requries the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

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

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

Note 2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

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.

(g) Impairment of non-financial assets

At the end of each reporting period the company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(h) Intangible assets

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) Cash and cash equivalents

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

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

(j) Employee benefits

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

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may

Note 2. Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(k) Provisions

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

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

(l) Economic dependence

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

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

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

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

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

Note 2. Summary of significant accounting policies (continued)

(m) Adoption of new and revised accounting standards

During the current year, the company adopted all of the new, revised or amended accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

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 accounting standard is not expected to have a material impact on the financial statements.

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.

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.

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 leasees. A leasee 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, 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 lease guidance, including *AASB 117 Leases* and related interpretations. This 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 reinstatement 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.

Note 2. Summary of significant accounting policies (continued)

(m) Adoption of new and revised accounting standards (continued)

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

Note 3. Critical accounting estimates and judgments

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

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

The significant estimates and judgements made have been described below.

Key estimates – impairment of property, plant and equipment

The company assesses impairment at the end of each reporting period by evaluating conditions specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Key judgments – taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

Notes to the financial statements (continued)

	2019 $	2018 $

Note 4. Revenue and other income

	2019	2018
Revenue from continuing operations		
Sales revenue		
– provision of services	1,271,107	1,402,785
– upfront product commissions	106,964	109,240
– fee Income	81,920	92,904
– market development fund	10,000	10,000
– products/services commission	18,248	18,568
	1,488,239	**1,633,497**
Finance income		
– other interest received	6,333	5,590
Finance income	**6,333**	**5,590**
– other trading revenue	7,327	–
Total revenue	**1,501,899**	**1,639,087**

Finance income includes all interest related income, other than those arising from financial assets at fair value through profit or loss. The above amounts have been included in the revenue line in the statement of profit or loss and other comprehensive income for the reporting periods presented.

Note 5. Result for the year

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

The result for the year includes the following specific expenses:

	2019	2018
Other expenses:		
Employee benefits expense	774,091	604,956
Amortisation expense	28,011	25,914
Impairment of receivables:		
– bad debts	765	414
Total impairment of receivables	**765**	**414**

	2019 $	2018 $

Note 6. Income tax expense

	2019 $	2018 $
(a) The major components of tax expense (income) comprise:		
Current tax expense		
– local income tax – current period	(10,833)	60,772
Deferred tax expense		
– origination and reversal of temporary differences	(1,192)	2,252
– under/(over) provision in respect of prior years	(3,534)	–
Total income tax expense	**(15,559)**	**63,024**
(b) Reconciliation of income tax to accounting profit:		
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2018: 27.5)	(8,860)	59,859
Add:		
Tax effect of:		
– non-deductible depreciation and amortisation	–	3,165
– under/(over) provision for income tax in prior year	(3,534)	–
– other	3,165	–
Income tax expense	**(15,559)**	**63,024**

Note 7. Dividends

	2019 $	2018 $
a. The following dividends were declared and paid:		
Final franked ordinary dividend of 9 cents (2018: 8 cents) per share	**56,700**	**50,400**
Franked dividends declared or paid during the year were franked at the tax rate of 27.5%.		

Franking account

	2019 $	2018 $
The franking credits available for subsequent financial years at a tax rate of 27.5%	**137,051**	**64,846**

The above available balance is based on the dividend franking account at year end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the company's future ability to declare dividends.

	2019 $	2018 $

Note 8. Cash and cash equivalents

	2019 $	2018 $
Cash at bank in hand	458,934	588,644
	458,934	**588,644**

Note 9. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	128,220	145,061
	128,220	**145,061**
Prepayments	7,858	6,423
Other receivables	618	617
Total current trade and other receivables	**136,696**	**152,101**

Note 10. Property, plant and equipment

	2019 $	2018 $
Plant and equipment		
At cost	92,257	90,591
Accumulated depreciation	(75,411)	(68,789)
Total plant and equipment	**16,846**	**21,802**
Leasehold Improvements		
At cost	502,236	502,236
Accumulated amortisation	(289,015)	(279,135)
Total leasehold improvements	**213,221**	**223,101**
Total property, plant and equipment	**230,067**	**244,903**

Note 10a. Movements in carrying amounts of property, plant and equipment

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

	Plant and equipment $	Leasehold Improvements $	Total $
Year ended 30 June 2019			
Balance at the beginning of year	21,802	223,101	244,903
Additions	1,666	–	1,666
Depreciation expense	(6,622)	(9,880)	(16,502)
Balance at the end of the year	**16,846**	**213,221**	**230,067**
Year ended 30 June 2018			
Balance at the beginning of year	11,579	233,648	245,227
Additions	14,080	–	14,080
Depreciation expense	(3,857)	(10,548)	(14,405)
Balance at the end of the year	**21,802**	**223,100**	**244,902**

Note 11. Intangible assets

	2019 $	2018 $
Development costs		
Cost	720	720
Accumulated amortisation and impairment	(720)	(720)
Net carrying value	–	–
Licenses and franchises		
Cost	57,546	57,546
Accumulated amortisation and impairment	(34,528)	(23,019)
Net carrying value	23,018	34,527
Other Intangible assets		
Cost	19,758	19,758
Accumulated amortisation and impairment	(19,758)	(19,758)
Total Intangibles	**23,018**	**34,527**

Note 11a. Movements in carrying amounts of intangible assets

Licenses and franchises – Year ended 30 June 2019		
Balance at the beginning of the year	34,527	34,527
Amortisation	(11,509)	(11,509)
Closing value at 30 June 2019	**23,018**	**23,018**

	2019 $	2018 $

Note 12. Trade and other payables

Current		
Unsecured liabilities		
Trade payables	51,400	73,074
Other payables	15,486	21,079
	66,886	**94,153**
Secured liabilities		
Dividend payable	12,918	11,120
	12,918	**11,120**
	79,804	**105,273**

Note 13. Employee benefits

Current liabilities		
Long service leave	28,095	17,008
Provision for employee benefits	25,499	28,773
	53,594	**45,781**
Non current liabilities		
Long service leave	5,469	8,948
	5,469	**8,948**

Note 14. Issued capital

630,000 (2018: 630,000) Ordinary shares	**567,010**	**567,010**

(a) Voting rights

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.

	2019 $	2018 $

(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.

(c) Transfer

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

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

Note 15. Capital and leasing commitments

(a) Operating leases

	2019 $	2018 $
Minimum lease payments under non cancelable operating leases:		
– not later than one year	99,492	96,753
– between one year and five years	389,677	33,853
	489,169	**130,606**
Operating leases have been have been taken out for premises at Dingley. Lease payments are increased on an annual basis to reflect market rentals.		

Note 16. Remuneration of auditors

	2019 $	2018 $
Remuneration of the auditor of the entity for:		
– auditing or reviewing the financial statements	**10,350**	**9,909**

Note 17. Related parties

All directors of the company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

There were no related party transactions during the year.

Note 18. Events occurring after the reporting date

The financial report was authorised for issue on 27 September 2019 by the board of directors.

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

Note 19. Tax assets and liabilities

	2019 $	2018 $
Current tax	28,592	–
Income tax payable	–	36,349
Recognised deferred tax assets and liabilities		
Deferred tax assets	27,076	15,051
Deferred tax liabilities	170	170

	Opening balance $	Charged to income $	Closing balance $
Deferred tax assets			
Provisions – employee benefits	18,486	(3,435)	15,051
Balance at 30 June 2018	**18,486**	**(3,435)**	**15,051**
Provisions – employee benefits	15,051	1,192	16,243
Tax loss brought to account	–	10,833	10,833
Balance at 30 June 2019	**15,051**	**12,025**	**27,076**
Deferred tax liability			
Other deferred tax	147	23	170
Balance at 30 June 2018	**147**	**23**	**170**
Other deferred tax	170	–	170
Balance at 30 June 2019	**170**	**–**	**170**

Note 20. 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.

Note 20. Financial risk management (continued)

(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. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital manager

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 potential 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 20. Financial risk management (continued)

(i) Financial instrument composition and maturity analysis

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

	Weighted average effective interest rate		Floating interest rate		Non interest bearing	
	2019 %	2018 %	2019 $	2018 $	2019 $	2018 $
Financial assets						
Cash and cash equivalents	0.01	0.01	146,310	201,975	–	–
Short term deposits	1.85	2.65	312,624	386,669	–	–
Receivables	–	–	–	–	136,696	152,101
Total financial assets	–	–	**458,934**	**588,644**	**136,696**	**152,101**
Financial liabilities						
Trade and sundry payables	–	–	–	–	79,803	105,273
Total financial liabilities	–	–	–	–	**79,803**	**105,273**

	Total	
	2019 $	2018 $
Financial assets		
Cash and cash equivalents	146,310	201,975
Short term deposits	312,624	386,669
Receivables	136,696	152,101
Total financial assets	**595,630**	**740,745**
Financial liabilities		
Trade and sundry payables	79,803	105,273
Total financial liabilities	**79,803**	**105,273**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned in Note 9. The main source of credit risk to the company is considered to relate to the class of assets described as 'trade and other receivables'.

Note 20. Financial risk management (continued)

(i) Financial instrument composition and maturity analysis (continued)

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period. An increase of 100 basis points or a decrease of 50 basis points would have increased equity and profit or loss by the amounts shown below. This analysis assumes that other variables are held constant.

	Profit		Equity	
	100 basis points increase	**50 basis points decrease**	**100 basis points increase**	**50 basis points decrease**
2019	4,589	(2,295)	4,589	(2,295)
2018	5,886	(2,943)	5,886	(2,943)

The movements in profit are due to higher interest costs from variable rate debt and cash balances. The net exposure at the end of the reporting period is representative of what Dingley Village Financial Services Limited was and is expecting to be exposed to at the end of the next twelve months. The sensitivity analysis is performed on the same basis as in 2018.

Note 21. Contingencies

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

Note 22. Segment reporting

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

	2019 $	2018 $

Note 23. Cash flow information

	2019 $	2018 $
Reconciliation of net income to net cash provided by operating activities:		
Profit/(loss) for the year	(16,659)	154,644
Cash flows excluded from profit attributable to operating activities		
Non cash flows in profit:		
– amortisation	11,509	11,509
– depreciation	16,502	14,405
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase)/decrease in trade and other receivables	15,405	9,562
– (increase)/decrease in deferred tax receivable	(12,025)	3,436
– increase/(decrease) in trade and other payables	(27,267)	(16,412)
– increase/(decrease) in income taxes payable	(64,941)	36,349
– increase/(decrease) in deferred taxes payable	–	23
– increase/(decrease) in employee benefits	4,334	(7,776)
Cashflow from operations	**(73,142)**	**205,740**

Note 24. Company details

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

Dingley Village Financial Services Limited
Shop 11, 79 Centre Dandenong Road
Dingley Village VIC 3172

Directors' declaration

The directors of the company declare that:

1. The financial statements and notes for the year ended 30 June 2019 are in accordance with the *Corporations Act 2001* and:
    a. comply with accounting standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
    b. give a true and fair view of the financial position and performance of the company.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

David Starvaggi
Chairman

Kanwar Singh
Company Secretary/Treasurer

Dated 27 September 2019

ASHFORDS
AUDIT AND ASSURANCE

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Dingley Village Financial Services Limited

Independent Audit Report to the members of Dingley Village Financial Services Limited

Report on the Audit of the Financial Report

Opinion

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

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

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

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

Basis for Opinion

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

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

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

Responsibilities of Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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Dingley Village Financial Services Limited

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throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ashfords Audit and Assurance

Ashfords Audit and Assurance Pty Ltd

Andrew White - CA

Dingley

27 September 2019

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(FUSEBOX 10/19)