



Annual Report 2019

Donnybrook Capel Districts Community Financial Services Ltd

ABN 23 103 003 416

Donnybrook and Capel **Community Bank®** Branch





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Chairs' Report

For year ending 30 June
2019

Looking back on the past year, it is fantastic to be able to acknowledge another strong year of growth by both our Donnybrook and Capel branches. The growth this past year has allowed us to provide our largest ever contribution back into the communities that support us, with \$157,892.00 in donations and sponsorships being made this financial year.

This past year has seen us celebrate a significant milestone for both branches with our 15th birthday celebrations taking place during the year. To celebrate this achievement, we held a \$15k sponsorship event for each town. With community groups putting forward project proposals, and the community having the final say as to which project we supported. The Donnybrook Family Play Centre were the winners in Donnybrook while the Capel Equestrian Centre took out the major funding prize in Capel.

We are constantly looking for ways to improve our service to the community and to help to maintain the vibrancy of the rural towns in which we operate. Whether it be supporting local businesses through promotions such as 'Business of the Month' or displaying the work of local groups such as the Capel Maker's Trail we try to support and promote our local businesses as much as we can.

In recognition of our financial position, Directors chose to provide a share dividend payment to our shareholders of seven cents, fully franked for the first time, for every share held. Without these shareholders, our business would not exist, so we thank our shareholders for their ongoing support and provide a commitment that we will continue to take our business from strength to strength.

We would also like to thank the dedicated staff at both branches. Without them, we could not do what we do. They are the heart and soul of the Community Bank. They have again been led by our Branch Manager for both branches, Bernadette McInnes, who certainly leads by example in terms of demonstrating drive and passion for the work we do in the community. Congratulations to the staff who have all contributed to our achievements.

And lastly, we'd like to thank the rest of the Directors. As volunteers, you provide an invaluable service to the Community Bank and the community more broadly. Your passion and dedication is evident and we look forward to working with you for another year.



Kingsley Smith
Co-Chair/Director



Tahlia Rose
Co-Chair/Director

Manager's Report

For year ending 30 June 2019

In 2018/2019 we hit a milestone worth celebrating as 15 years ago we opened two **Community Bank®** branches, Donnybrook opened 18th July 2003 and Capel opened 22nd October 2003.

The initial aim was to return traditional bank branches to regional communities. Today there are 323 **Community Bank®** communities in every state and territory of Australia.

Community Bank® branches provide communities with more than just quality banking services, they deliver employment opportunities for local people, keep local capital in the community, are a local investment option for shareholders and provide a source of revenue for important community projects determined by the local community. We are now Australia's fifth largest retail bank, with more than 7,200 staff helping over 1.7 million customers to achieve their financial goals.

With a competitive market Donnybrook and Capel branches had an overall growth of \$6,300,000 and our combined business as at 30 June 2019 has grown to \$179,500,000.

A key part of our ongoing success is our shareholders and our customers. So, I would like to take this opportunity to thank them all as their banking is making a real difference. This year we have been able to provide \$157,892.00 in donations and sponsorships to our community groups, clubs and schools this financial year.

Thank you to our business partners at Bendigo and Adelaide Bank Limited - Regional Manager, Michelle Brace, our specialists from Business Banking, Rural Bank and our Local Connection team for their assistance throughout the year.

Thank you to our Board of Directors who continue to provide excellent guidance for the branch team. The direction they have set will see the Donnybrook and Capel **Community Bank®** Branch continue to maintain our strong community focus and ensure we remain a relevant banking choice in our community.

Personally, I would like to take this opportunity to thank our fabulous staff. We are a strong team over two branches with a wealth of knowledge and an abundance of passion for point of difference. Our staff are important to the success of our business and we remain focused on the goal of constant improvement.

On behalf of the branch staff, thank you for your continued support. We look forward to seeing you in our branches throughout the year.



Bernadette McInnes
Branch Manager

Directors' Report

The Directors present their report of the company for the financial year ended 30 June 2019.

Directors

The following persons were Directors of Donnybrook Capel Districts Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Directors	Details
Kingsley Smith	Director, Company Secretary Chartered Accountant
John Cross	Director Ag Consultant
John Ridgway	Director BA Political Science/Economics Senior Management in Government
Stephanie Addison-Brown (resigned 31 May 2018)	Director BA (Hons), Post Graduate qualification in Management Director Corporate and Community Services - City of Bunbury
Tahlia Rose	Director BSc (Hons) LLB (Hons) State Government, Legal
Keith Palmer (Resigned 20 March 2019)	Director
J Heath (Resigned 7 July 2018)	Vice Chairperson Licensed Real Estate Agent

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

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

Directors' Report (cont)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Kingsley Smith	11	7
John Cross	11	9
John Ridgway	11	10
Stephanie Addison-Brown (resigned 31 May 2018)	11	8
Tahlia Rose	11	8
Keith Palmer (Resigned 20 March 2019)	10	7

A - The number of meetings eligible to attend. B

- The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Kingsley Smith has been the Company Secretary of Donnybrook Capel Districts Community Financial Services Limited since 2015. Kingsley is a Chartered Accountant.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was \$36,397 (2018 profit: \$72,021), which is a 49.5% decrease as compared with the previous year, due to the increase in donations and sponsorships paid by Donnybrook Capel Districts Community Financial Services Limited. Charitable Donations and Sponsorship for 30 June 2019 is \$157,892 (2018: \$34,892).

Dividends

A fully franked final dividend of 7 cents per share was declared and paid during the year for the year ended 30 June 2019.

Options

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

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Directors' Report (cont)

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect 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.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability incurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 4 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Boyanup on 17 October 2019.



Kingsley Smith
Director



Tahlia Rose
Director

Auditor's Independence Declaration



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**Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of
Donnybrook
Capel Districts Financial Services Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

- (i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

P.P Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 21 October 2019

A handwritten signature in blue ink, appearing to read 'P.P. Delahunty', enclosed in a rectangular box.



Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

Financial Statements

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

	Note	2019 \$	2018 \$
Revenue	2	1,307,428	1,244,402
Expenses			
Employee benefits expense	3	(723,087)	(738,347)
Depreciation and amortisation	3	(74,003)	(81,478)
Finance costs	3	(87)	(4,041)
Bad and doubtful debts expense	3	(181)	(327)
Administration and general costs		(21,999)	(23,966)
Occupancy expenses		(100,623)	(94,206)
IT expenses		(40,298)	(39,422)
Professional Expenses		(39,927)	(34,411)
Advertising Expenses		(6,770)	(7,827)
ATM Expenses		(24,978)	(21,541)
Insurance Expenses		(30,026)	(24,663)
Other expenses		(37,354)	(39,942)
		<u>(1,099,333)</u>	<u>(1,110,171)</u>
Operating profit before charitable donations & sponsorship		208,095	134,231
Charitable donations and sponsorships		<u>(157,892)</u>	<u>(34,892)</u>
Profit before income tax		50,203	99,339
Income tax expense	4	<u>(13,806)</u>	<u>(27,318)</u>
Profit for the year after income tax		36,397	72,021
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>36,397</u>	<u>72,021</u>
Profit attributable to members of the company		36,397	72,021
Total comprehensive income attributable to members of the company		<u>36,397</u>	<u>72,021</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	5.51	10.91

These financial statements should be read in conjunction with the accompanying notes.

Financial Statements (cont)

Statement of Financial Position as at 30 June 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5	353,611	313,639
Trade and other receivables	6	121,970	119,481
Other assets	7	8,068	10,963
Total current assets		483,649	444,083
Non-current assets			
Property, plant and equipment	8	132,956	122,625
Intangible assets	9	104,914	131,143
Deferred tax assets	4	35,187	26,770
Total non-current assets		273,057	280,538
Total assets		756,706	724,621
Liabilities			
Current liabilities			
Trade and other payables	11	126,989	91,415
Current tax liability	4	3,562	35,203
Borrowings	12	11,749	1,534
Provisions	13	102,605	82,914
Total current liabilities		244,905	211,066
Non-current liabilities			
Trade and other payables	11	52,457	102,292
Borrowings	12	50,230	-
Provisions	13	17,406	9,722
Total non-current liabilities		120,093	112,014
Total liabilities		364,998	323,080
Net assets		391,708	401,541
Equity			
Issued capital	14	660,435	660,435
Accumulated losses	15	(268,727)	(258,894)
Total equity		391,708	401,541

These financial statements should be read in conjunction with the accompanying notes

Financial Statements (cont)

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

		Issued capital	Accumulated losses	Total equity
	Note	\$	\$	\$
Balance at 1 July 2018		660,435	(258,894)	401,541
<i>Comprehensive income for the year</i>				
Profit for the year		-	36,397	36,397
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid or provided	16	-	(46,230)	(46,230)
Balance at 30 June 2019		660,435	(268,727)	391,708
Balance at 1 July 2017		660,435	(284,685)	375,750
<i>Comprehensive income for the year</i>				
Profit for the year		-	72,021	72,021
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid or provided	16	-	(46,230)	(46,230)
Balance at 30 June 2018		660,435	(258,894)	401,541

These financial statements should be read in conjunction with the accompanying notes.

Financial Statements (cont)

Statement of Cash Flows for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		1,435,697	1,360,920
Payments to suppliers and employees		(1,274,278)	(1,167,321)
Interest paid		(87)	(4,041)
Income tax paid		(53,864)	(1,585)
Net cash flows provided by operating activities	18b	107,468	187,973
Cash flows from investing activities			
Purchase of property, plant and equipment		(58,105)	-
Purchase of intangible assets		(23,606)	-
Net cash flows from/(used in) investing activities		(81,711)	-
Cash flows from financing activities			
Proceeds from leases		61,979	-
Repayment of borrowings		(1,534)	(90,556)
Dividends paid		(46,230)	(46,230)
Net cash flows from/(used in) financing activities		14,215	(136,786)
Net increase in cash held		39,972	51,187
Cash and cash equivalents at beginning of financial year		313,639	262,452
Cash and cash equivalents at end of financial year	18a	353,611	313,639

These financial statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

These financial statements and notes represent those of Donnybrook Capel Community Financial Services Limited.

Donnybrook Capel Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 17 October 2019.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, 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.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at Donnybrook and Capel.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation 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.

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®** 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 in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branches;
- Training for the Branch Managers 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
- Sale techniques and proper customer relations.

Notes to the Financial Statements (cont)

1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(c) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis.

Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Notes to the Financial Statements (cont)

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events 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.

(f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below **ONLY** apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139's '*Financial Instruments: Recognition and Measurement*' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Other than changes to classification changes, there have been no other changes due to the adoption of AASB 9.

Notes to the Financial Statements (cont)

(g) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set out on the proceeding pages.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of \$229,305. It is expected that the company will recognise a 'right of use asset' and lease liability for approximately this value, with rent expense replaced with depreciation and interest expense.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

(h) Change in accounting policies

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.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Notes to the Financial Statements (cont)

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

- a) when the entity has a right to receive the income and it can be reliably measured; or
- b) upon receipt.

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- a) Financial assets at amortised cost
- b) Financial assets at fair value through profit and loss (FVTPL)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Financial Instruments (continued)

Financial assets at fair value through profit or loss

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Investments in equity instruments fall into this category unless the company irrevocably elects at inception to account as FVTOCI.

Notes to the Financial Statements (cont)

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial assets at fair value through other comprehensive income

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVTOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

Impairment of financial assets

AASB 9's new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

Financial Liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value (\$)	AASB 9 Carrying value (\$)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	119,481	119,481
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	195,241	195,241

Notes to the Financial Statements (cont)

2. Revenue

	2019 \$	2018 \$
Revenue		
- service commissions	1,306,348	1,242,962
	<u>1,306,348</u>	<u>1,242,962</u>
Other revenue		
- rent income	1,080	1,440
	<u>1,080</u>	<u>1,440</u>
Total revenue	<u>1,307,428</u>	<u>1,244,402</u>

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.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Interest, dividend and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

Other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year included: Deposits (At Call, Community Sector, Financial Markets, Term Deposits, Financial Planning and Superannuation) and Loans (Housing, Leasing, Personal, Revolving Credit and Small Business and Commercial).

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

Notes to the Financial Statements (cont)

2. Revenue (continued)

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

- If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;
- In changing a margin to a commission or a commission to a margin on a core banking product or service, **OR** changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and
- Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

3. Expenses

	2019 \$	2018 \$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	588,497	606,266
- superannuation costs	76,704	74,254
- other costs	57,886	57,827
	<u>723,087</u>	<u>738,347</u>

Notes to the Financial Statements (cont)

3. Expenses (continued)

Depreciation and amortisation

Depreciation

Building Improvements	43,346	55,604
Furniture and fittings	3,043	134
Motor Vehicles	1,385	-
	<u>47,774</u>	<u>55,738</u>

Amortisation

- franchise fees	<u>26,229</u>	<u>25,740</u>
	26,229	25,740

Total depreciation and amortisation

<u>74,003</u>	<u>81,478</u>
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Finance costs

- Interest paid	87	4,041
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Bad and doubtful debts expenses

181	327
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Auditors' remuneration

Remuneration of the Auditor, RSD Audit, for:

- Audit or review of the financial report	9,350	7,140
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Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation and amortisation

The depreciable amount of all fixed and intangible assets are depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements

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

Class of asset	Rate	Method
Building improvements	20%	Straight line
Furniture & Fittings	20%	Straight line
Motor vehicles	20%	Straight line
Franchise fees	20%	Straight line

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Notes to the Financial Statements (cont)

4. Income tax

a. The components of tax expense comprise:

	2019 \$	2018 \$
Current tax expense	22,220	35,203
Deferred tax expense	(8,414)	(7,885)
	<u>13,806</u>	<u>27,318</u>

b. Prima facie tax payable

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	13,806	27,318
Income tax attributable to the entity	<u>13,806</u>	<u>27,318</u>

The applicable weighted average effective tax rate is:

27.50%	27.50%
--------	--------

c. Current tax liability

Current tax relates to the following:

Current tax liabilities / (assets)

Opening balance	35,203	1,585
Income tax paid	(53,864)	(1,585)
Current tax	22,220	35,203
Under / (over) provision prior years	3	-
	<u>3,562</u>	<u>35,203</u>

d. Deferred tax asset

Deferred tax relates to the following:

Deferred tax assets comprise:

Accruals	2,184	1,295
Employee provisions	33,003	25,475
Net deferred tax asset	<u>35,187</u>	<u>26,770</u>

e. Deferred income tax included in income tax expense comprises:

Decrease / (increase) in deferred tax assets	(8,414)	(7,785)
Under / (over) provision prior years	(3)	-



Notes to the Financial Statements (cont)

4. Income tax (continued)

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Notes to the Financial Statements (cont)

5. Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank and on hand	353,611	313,639
	<u>353,611</u>	<u>313,639</u>

Cash and cash equivalents include cash on hand, deposits available on demand with banks.

6. Trade and other receivables

	2019	2018
	\$	\$
Current		
Trade receivables	121,970	119,481
	<u>121,970</u>	<u>119,481</u>

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established in accordance with the expected credit loss model, or when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

Notes to the Financial Statements (cont)

6. Trade and other receivables (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
	\$	\$	< 30 days	31-60 days	> 60 days	\$
2019						
Trade receivables	121,970	121,970	-	-	-	-
Total	121,970	121,970	-	-	-	-
2018						
Trade receivables	119,481	119,481	-	-	-	-
Total	119,481	119,481	-	-	-	-

7. Other assets

	2019	2018
	\$	\$
Prepayments	8,068	10,963
	8,068	10,963

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

Notes to the Financial Statements (cont)

8. Property, plant and equipment

	2019			2018		
		\$			\$	
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Building Improvements	390,296	(317,999)	72,297	390,296	(274,653)	115,643
Furniture and fittings	55,936	(51,997)	3,939	55,936	(48,954)	6,982
Motor Vehicles	102,196	(45,476)	56,720	44,091	(44,091)	-
Total property, plant and equipment	548,428	(415,472)	132,956	490,323	(367,698)	122,625

Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None)

Notes to the Financial Statements (cont)

8. Property, plant and equipment (continued)

(b) Movements in carrying amounts of PP&E

	Opening written down value \$	Additions \$	Depreciation \$	Closing written down value \$
2019				
Building Improvements	115,643	-	(43,346)	72,297
Furniture and fittings	6,982	-	(3,043)	3,939
Motor Vehicles	-	58,105	(1,385)	56,720
Total property, plant and equipment	122,625	58,105	(47,774)	132,956
	Opening written down value \$	Additions \$	Depreciation \$	Closing written down value \$
2018				
Building Improvements	171,247	-	(55,604)	115,643
Furniture and fittings	7,116	-	(134)	6,982
Motor Vehicles	-	-	-	-
Total property, plant and equipment	178,363	-	(55,738)	122,625

Notes to the Financial Statements (cont)

9. Intangible assets

	2019			2018		
		\$			\$	
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	-	-	-	197,575	(197,575)	-
Preliminary Expenses	-	-	-	60,000	(60,000)	-
Renewal Franchise Fees	131,143	(26,229)	104,914	131,143	-	131,143
Total intangible assets	131,143	(26,229)	104,914	388,718	(257,575)	131,143

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

Movements in carrying amounts

	Opening written down value	Additions	Amortisation	Closing written down value
	\$	\$	\$	\$
2019				
Renewal Franchise Fees	131,143	-	(26,229)	104,914
Total intangible assets	131,143	-	(26,229)	104,914

	Opening written down value	Additions	Amortisation	Closing written down value
	\$	\$	\$	\$
2018				
Franchise fees	13,740	-	(13,740)	-
Preliminary Expenses	12,000	-	(12,000)	-
Renewal Franchise Fees	-	131,143	-	131,143
Total intangible assets	25,740	131,143	(25,740)	131,143

Notes to the Financial Statements (cont)

10. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

11. Trade and other payables

	2019 \$	2018 \$
Current		
<i>Unsecured liabilities:</i>		
Trade creditors	57,083	47,164
Other creditors and accruals	43,677	44,251
Franchise fee payable	26,229	-
	<u>126,989</u>	<u>91,415</u>
Non - Current		
<i>Unsecured liabilities:</i>		
Franchise fee payable	52,457	102,292
	<u>52,457</u>	<u>102,292</u>
Total Trade and Other Payables	<u>179,446</u>	<u>193,707</u>

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

The average credit period on trade and other payables is one month.

12. Borrowings

	\$	\$
Current		
<i>Secured liabilities</i>		
Bank loan	-	1,534
Finance leases	11,749	-
	<u>11,749</u>	<u>1,534</u>
Non-current		
<i>Secured liabilities</i>		
Finance leases	50,230	-
	<u>50,230</u>	<u>-</u>
Total borrowings	<u>61,979</u>	<u>1,534</u>

Loans

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Notes to the Financial Statements (cont)

12. Borrowings (continued)

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Finance 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 recognising 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 recognised as expenses in the periods in which they are incurred.

(a) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

13. Provisions

	2019 \$	2018 \$
Current		
Employee benefits	102,605	82,914
Non-current		
Employee benefits	17,406	9,722
Total provisions	120,011	92,636

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Notes to the Financial Statements (cont)

14. Share capital

	2019 \$	2018 \$
660,435 Ordinary shares fully paid	<u>660,435</u>	<u>660,435</u>
	<u>660,435</u>	<u>660,435</u>

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period

At the end of the reporting period

660,435	660,435
<u>660,435</u>	<u>660,435</u>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

(b) 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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

Notes to the Financial Statements (cont)

15. Accumulated losses

	2019	2018
	\$	\$
Balance at the beginning of the reporting period	(258,894)	(284,685)
Profit for the year after income tax	36,397	72,021
Dividends paid	(46,230)	(46,230)
Balance at the end of the reporting period	<u>(268,727)</u>	<u>(258,894)</u>

16. Dividends paid or provided for on ordinary shares

	2019	2018
	\$	\$
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 7 cents per share (2018:7 cents)	46,230	46,230

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

17. Earnings per share

	2019	2018
	\$	\$
Basic earnings per share (cents)	5.51	10.91
Earnings used in calculating basic earnings per share	36,397	72,021
Weighted average number of ordinary shares used in calculating basic earnings per share	660,435	660,435

Basic earnings per share

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

Notes to the Financial Statements (cont)

18. Statement of cash flows

	2019 \$	2018 \$
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	353,611	313,639
As per the Statement of Cash Flow	<u>353,611</u>	<u>313,639</u>
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	36,397	72,021
Non-cash flows in profit		
- Depreciation and amortisation	74,003	81,478
- Bad debts	181	327
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(2,670)	(7,289)
- (increase) / decrease in prepayments and other assets	2,895	(9,407)
- (Increase) / decrease in deferred tax asset	(8,417)	(7,888)
- Increase / (decrease) in trade and other payables	9,345	(3,111)
- Increase / (decrease) in current tax liability	(31,641)	33,618
- Increase / (decrease) in provisions	27,375	28,224
Net cash flows from operating activities	<u>107,468</u>	<u>187,973</u>

19. Key management personnel and related party disclosures

(a) Key management personnel

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

No directors fees have been paid as the positions held on a voluntary basis.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Notes to the Financial Statements (cont)

19. Key management personnel and related party disclosures (continued) (c)

Transactions with key management personnel and related parties

Name of related party	Description of goods / services provided	Value \$
Kingsley Smith	1/3 Owner of unit trust that owns the building where Capel Branch operates from (rent payments)	27,773
Angelo Logiudice	Donnybrook Newsagency	2,454
Tahlia Rose	Donnybrook community bank branch rental lease payment to Shire of Donnybrook / Balingup which is related party of T. Rose.	58,040

The Donnybrook Capel Districts Community Financial Services have not accepted the Bendigo and Adelaide Bank Limited's **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 branch.

(d) Key management personnel shareholdings

The number of ordinary shares in Donnybrook Capel Districts Community Financial Services held by each key management personnel of the company during the financial year is as follows:

	2019	2018
Kingsley Smith	6,000	6,000
Angelo Logiudice	500	500
John Cross	-	-
John Ridgway	-	-
Stephanie Addison-Brown	-	-
Tahlia Rose	-	-
Lynda Klein	-	-
Keith Palmer	-	-
	<u>6,500</u>	<u>6,500</u>

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

Notes to the Financial Statements (cont)

19. Key management personnel and related party disclosures (continued)

(e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

20. Events after the reporting period

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

21. Contingent liabilities and contingent assets

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

22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two areas being Donnybrook, WA and Capel, WA. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2018: 100%).

23. Commitments

Operating lease commitments

	2019 \$	2018 \$
Payable:		
- no later than 12 months	54,154	45,952
- between 12 months and five years	175,151	113,988
Minimum lease payments	229,305	159,940

The two property leases are non-cancellable leases with varying terms (5 years and 2 years), with rent payable monthly in advance. The leases varying extension options (1 x 5 year term and 5 x 5 year terms).

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

	2019 \$	2018 \$
Payable:		
- no later than 12 months	14,018	-
- between 12 months and five years	54,307	-
Minimum lease payments	68,325	-
Less future interest charges	(6,346)	-
Finance lease liability	61,979	-

Finance leases comprise leases of motor vehicle under normal commercial finance lease terms and conditions repayable over 5 years.

24. Company details

The registered office and principal place of business is 70 South Western Highway, Donnybrook, WA.

Notes to the Financial Statements (cont)

25. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables and loans. The totals for each category of financial instruments measured in accordance with AASB 9 *Financial Instruments* as detailed in the accounting policies are as follows:

	Note	2019 \$	2018 \$
Financial assets			
Cash and cash equivalents	5	353,611	313,639
Trade and other receivables	6	121,970	119,481
Total financial assets		475,581	433,120
Financial liabilities			
Trade and other payables	11	179,446	193,707
Borrowings	12	61,979	1,534
Total financial liabilities		241,425	195,241

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

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

Credit risk exposures

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

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

Notes to the Financial Statements (cont)

25. Financial instrument risk (continued)

(a) Credit risk (continued)

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

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

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

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

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

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents	0.00%	353,611	353,611	-	-
Trade and other receivables		121,970	121,970	-	-
Total anticipated inflows		475,581	475,581	-	-
Financial liabilities					
Trade and other payables		179,446	126,989	52,457	-
Borrowings	3.99%	61,979	11,749	50,230	-
Total expected outflows		241,425	138,738	102,687	-
Net inflow / (outflow) on financial instruments		234,156	336,843	(102,687)	-

Notes to the Financial Statements (cont)

25. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial assets					
Cash and cash equivalents		313,639	313,639	-	-
Trade and other receivables		119,481	119,481	-	-
Total anticipated inflows		<u>433,120</u>	<u>433,120</u>	<u>-</u>	<u>-</u>
Financial liabilities					
Trade and other payables		193,707	91,415	102,292	-
Borrowings	6.30%	1,534	1,534	-	-
Total expected outflows		<u>195,241</u>	<u>92,949</u>	<u>102,292</u>	<u>-</u>
Net inflow / (outflow) on financial instruments		<u><u>237,879</u></u>	<u><u>340,171</u></u>	<u><u>(102,292)</u></u>	<u><u>-</u></u>

* The Bank overdraft has no set repayment period and as such all has been included as current.

(c) Market risk

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

Interest rate risk

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

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

Directors' Declaration

In accordance with a resolution of the Directors of Donnybrook Capel Districts Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 35 are in accordance with the *Corporations Act 2001*
 - (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2019 and of the performance for the year ended on that date;
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 resolution is made in accordance with a resolution of the Board of Directors.



Kingsley Smith
Director

Signed at Boyanup, WA on 17 October 2019.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DONNYBROOK CAPEL DISTRICTS COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Donnybrook Capel Districts Community Financial Services Limited, 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:

- (a) the financial report of Donnybrook Capel Districts Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the entity 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.

Director's Responsibility 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 ability of the Company 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.

Independent Auditor's Report (cont)



Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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.

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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.

Independent Auditor's Report (cont)



Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, 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, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD AUDIT

A handwritten signature in blue ink, appearing to read 'P.P. Delahunty', with a stylized flourish at the end.

P.P. Delahunty
Partner
Bendigo
Dated: 21 October 2019



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