



# Annual Report 2019

## East Keilor Community Financial Services Limited

ABN 18 096 939 507

Keilor East **Community Bank** Branch

# East Keilor Community Financial Services Limited
## ABN: 18 096 939 507

## Financial Report

## For the year ended 30 June 2019

**East Keilor Community Financial Services Limited**
**ABN 18 096 939 507**
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Chairman's Report

For year ending 30 June 2019

It is with great pleasure that I can provide the East Keilor Community Financial Services Limited (EKCFS Ltd) shareholders with my first Chairman's Report. As shareholders, you would understand that the financial sector has been conspicuous due to the Royal Commission with outcomes to be felt for some time yet.

Remarkably, in an extremely challenging and competitive financial market, the past year has seen EKCFS Ltd with increased revenue growth of 3.2% to $959,444, available community funding increased by 19.8% to $139,428 and our net profit after tax increased by 83.7% to $73,877. Total business held by Keilor East **Community Bank**® Branch at end of year was $153 million, including deposits of $93 million and loans of $52 million.

I congratulate Tina Ballos, our Branch Manager, and her branch team who have again achieved terrific results for the business in the 2018/19 financial year. Staff achievements have been well appreciated and noted by Board members, shareholders and community groups for their commitment, work ethic and determination for our branch to succeed. Customer service, competitive banking products and our ongoing relationship with many community groups has aided our enhanced financial position. Creating and maintaining genuine relationships with our community groups is a key and major differential aspect of our business. The community advocate for our Keilor East **Community Bank**® Branch helping us generate banking business, which enables us to provide funding support back into our community.

As the transition Chairman, I would personally like to thank the outgoing Directors John Andricciola (past Chairman), Gordon McFarlane (past treasurer), Matthew O'Rourke (past secretary), Mark Goldberg and David Todd (deceased) for their valuable contribution to the company over many years and who helped foster the rebuilding of the company. I also welcome new directors Terry Trewin (Secretary), Peter Halaseh (Treasurer) and Gian Blundo who have been productive board members. The board also hopes to continue to attract new directors to create a more diverse range of new strategic ideas and plans to ensure the future sustainability of our community company for the benefit of shareholders and the community.

Providing a balanced and reasonable financial return to our shareholders and maintaining profitability has enabled us to continue to provide significant contributions to our local organisations. The growth in banking business and resultant growth in available funding for the community, has meant that some unallocated community funding was able to be directed to our EKCFS Ltd Community Enterprise Foundation (CEF) account. These funds remain available for suitable and substantial community projects in future years. We intend to continue this successful leveraging from CEF contributions to provide another avenue for partnered co funding opportunities for the community.

We are now in a much stronger position to grow our contributions to the community and we are investigating new ways to engage with community groups such as our successful 'Pitch Event' where community organisations personally present funding investment proposals. This mechanism may also enable other community minded organisations and businesses to join us in the future and to help expand the provision of funding for a variety of new and exciting community projects. You as shareholders can be confident that the Bendigo **Community Bank**® model continues to create opportunities for community engagement.

The hard work Tina and the branch staff, Directors and our Marketing Manager (Yvonne Moon - OAM) in conjunction with our customers, especially those associated with our supported community groups, businesses and deposit holders, means we can continue to provide a positive financial impact to the local community through funding, employment, community projects and returns to shareholders.

I would like to thank you all; our staff, Directors, shareholders and customers, for your continued ongoing support for Keilor East **Community Bank®** Branch, which allow us and provides us a privileged opportunity to establish and maintain a safe, coherent and vibrant community.

Gerard Mahoney

Chairman

Branch Manager's Report 2019

Keilor East **Community Bank**® Branch closed out the 2018/19 year with total business of $153 million. In a challenging environment, our branch has managed to have strong lending growth of just over $4 million. Low interest rates affected our deposit growth, with negative growth of $4 million. Trying to maintain our deposit book was very difficult in a competitive market.

This year we have supported some amazing projects in the local community. Examples include, Pitch 4 Funding, Rocan, Moonee Valley Art show, the Biggest Morning Tea, just to name a few.

I would like to thank the branch staff for their efforts, contribution and dedication throughout the year and for providing me the support so I can do what's needed in the lending area of the business.

The board of Directors have done a wonderful job with their commitment and passion to Keilor East **Community Bank**® Branch. In partnership with Bendigo and Adelaide Bank Limited, the Directors make sure that our branch runs smoothly and effectively in our community. Thank you for all your support.

To our shareholders and customers, once again thank you for your continuous support to your local **Community Bank**® branch. It is your dedication and willingness to bank with us that allows us to continue to provide excellent customer service in the local community.

Together we can make our community feel united and safe.

Thank you to everyone for all your support

Tina Ballos

Branch Manager

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

**Directors**

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

| Directors | Details |
|---|---|
| Gerard Mahoney | Marketing Convenor, Chairman from 25 June 2019<br>Business Owner, Owner/ operator of a chauffer limousine business. |
| Terry Trewin | Sectretary - Appointmed Dec 2018.<br>Directorship - Appointed May 2019<br>B. Commerce Melbourne University<br>35 years Senior Management in various commercial organisations |
| Peter Halaseh | Director Appointed May 2019<br>Directorship - Appointed May 2019<br>Bachelor of Science majoring in Chemistry, Masters Business Administration (MBA)<br>Chairman and Managing Director for Ampha PTY LTD and Halmed PTY LTD.<br>Held directorship at Biomed (NewZealand Pharma), Halmed PTY LTD , Ampha PTY LTD and Hospital Products.<br>Managing Director at Halmed Pty Ltd |
| Peter William Bruce Miller | LLB, Operation of a law practice in the local area. |
| John Andricciola | Chairman - Resigned 25 June 2019<br>Bbus (Accountancy), FIPA.<br>Accountant & Tax Practitioner. |
| Gordon McFarlane | Treasurer - Resigned 28 May 2019<br>JP, Bbus, CertBus (Acc), MBA, FCPA, GAICD<br>Former executive in water industry working in financial, contract management and governance. |
| Mark Goldberg | Deputy Chair - Resigned 30 April 2019<br>Bcomm, CA<br>Over 30 years' experience in finance, general management, and owning businesses. |
| Matthew O'Rouke | Secretary - Resigned 31 Dec 2018<br>BA, GradCertPA, MBA (Exec), GAICD.<br>International consultant specialising in economic regulation of telecommunications markets. |
| David Todd | Ceased - 25/09/2019<br>Retired pharmacist<br>Operation of pharmacy business in the local area for many years. |

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' meetings**

Attendances by each Director during the year were as follows:

| | Board meetings | |
|---|---|---|
| **Director** | **A** | **B** |
| Gerard Mahoney | 11 | 11 |
| Terry Trewin | 7 | 7 |
| Peter Halaseh | 7 | 7 |
| Peter William Bruce Miller | 11 | 1 |
| John Andricciola | 11 | 11 |
| Gordon McFarlane | 10 | 9 |
| Mark Goldberg | 9 | 6 |
| Matthew O'Rouke | 5 | 3 |
| David Todd | 2 | 2 |

*A - The number of meetings eligible to attend.* *N/A - not a member of that committee.*
*B - The number of meetings attended.*

**Company Secretary**

Terrt Trewin has been the Company Secretary of East Keilor Community financial services Limited November 2019. His qualifications and experience include Commerce and senior manager for various commercial organisations

Matthew O'Rourke has been the Company Secretary of East Keilor Community financial services Limited (2015 - Nov 2018). His qualifications and experience include MBA(Exec) and GAICD.

**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 $73,877 (2018 profit: $40,200), which is a 83.8% increase as compared with the previous year.

**Dividends**

A fully franked final dividend of 4.5 cents per share was declared and paid during the year for the year ended 30 June 2018. No dividend has been declared or paid for the year ended 30 June 2019 as yet.

**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.

**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 occurred 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 6 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

**Remuneration report**

*Remuneration benefits and payments*

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

| | $ |
|---|---:|
| **Directors** | |
| Gerard Mahoney | 1,000 |
| Terry Trewin | 750 |
| Peter Halaseh | 125 |
| Peter William Bruce Miller | - |
| John Andricciola | 2,000 |
| Gordon McFarlane | 1,375 |
| Mark Goldberg | - |
| Matthew O'Rouke | 750 |
| David Todd | - |

**Remuneration report (continue)**

Hoffman & Stops Pty Ltd, of which John Andricciola is a Director, received a payment of $13,237 (2018: $10,883) for accounting, taxation and bookkeeping services provided to the company.

The East Keilor Community Financial Services Limited has 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. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

*Equity holdings of key management personnel*

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

| Name | Balance at 30 June 2018 | Net change in holdings | Balance at 30 June 2019 |
|---|---|---|---|
| **Directors** | | | |
| Gerard Mahoney | | | |
| Terry Trewin | | | |
| Peter Halaseh | | | |
| Peter William Bruce Miller | | | |
| John Andricciola | 500 | | 500 |
| Gordon McFarlane | | | |
| Mark Goldberg | | | |
| Matthew O'Rouke | | | |
| David Todd | 22,742 | | 22,742 |

*Loans to key management personnel*

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Keilor East on 9th September 2019.

**Peter Halaseh**
Director

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

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**Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of East Keilor Community 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 of 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**: 13 September 2019

**East Keilor Community Financial Services Limited**
**ABN 18 096 939 507**
**Statement of Profit or Loss and Other Comprehensive Income**
**for the year ended 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Revenue** | 2 | 959,444 | 929,738 |
| **Expenses** | | | |
| Employee benefits expense | 3 | (438,971) | (445,721) |
| Depreciation and amortisation | 3 | (46,607) | (47,582) |
| Auditors' remuneration | 3 | (8,691) | (10,632) |
| Administration and general costs | | (100,682) | (101,682) |
| Occupancy expenses | | (80,046) | (76,604) |
| IT expenses | | (52,646) | (62,308) |
| Other expenses | | (8,768) | (8,935) |
| | | (736,411) | (753,464) |
| **Operating profit before charitable donations & sponsorship** | | **223,033** | **176,274** |
| Charitable donations and sponsorships | | (139,678) | (116,297) |
| **Profit before income tax** | | **83,355** | **59,977** |
| Income tax expense | 4 | (9,478) | (19,777) |
| **Profit for the year after income tax** | | **73,877** | **40,200** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **73,877** | **40,200** |
| Profit attributable to members of the company | | 73,877 | 40,200 |
| **Total comprehensive income attributable to members of the company** | | **73,877** | **40,200** |
| **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 | 11.53 | 6.27 |

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

**East Keilor Community Financial Services Limited**
**ABN 18 096 939 507**
**Statement of Financial Position**
**as at 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 596,767 | 392,677 |
| Trade and other receivables | 6 | 83,669 | 84,841 |
| Financial assets | 7 | 220,000 | 350,000 |
| Other assets | 8 | 7,940 | 5,473 |
| **Total current assets** | | **908,376** | **832,991** |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 141,566 | 168,194 |
| Intangible assets | 10 | 31,975 | 45,406 |
| Deferred tax assets | 4 | 25,217 | 9,490 |
| **Total non-current assets** | | **198,758** | **223,090** |
| **Total assets** | | **1,107,134** | **1,056,081** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 142,662 | 128,054 |
| Current tax liability | 4 | 7,466 | 9,366 |
| Provisions | 13 | 14,851 | 23,644 |
| **Total current liabilities** | | **164,979** | **161,064** |
| **Non-current liabilities** | | | |
| Provisions | 13 | 7,365 | 2,060 |
| **Total non-current liabilities** | | **7,365** | **2,060** |
| **Total liabilities** | | **172,344** | **163,124** |
| **Net assets** | | **934,790** | **892,957** |
| **Equity** | | | |
| Issued capital | 14 | 561,768 | 561,768 |
| Retained earnings | 15 | 373,022 | 331,189 |
| **Total equity** | | **934,790** | **892,957** |

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

**East Keilor Community Financial Services Limited**
**ABN 18 096 939 507**
**Statement of Changes in Equity**
**for the year ended 30 June 2019**

| | Note | Issued capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2018 (reported)** | | **561,768** | **331,189** | **892,957** |
| Change due to the adoption of AASB 9 | | - | - | - |
| Change due to the adoption of AASB 15 | | - | - | - |
| **Balance at 1 July 2018 (restated)** | | **561,768** | **331,189** | **892,957** |
| *Comprehensive income for the year* | | | | |
| Profit for the year | | - | 73,877 | 73,877 |
| Other comprehensive income for the year | | - | - | - |
| | | - | **73,877** | **73,877** |
| *Transactions with owners in their capacity as owners* | | | | |
| Dividends paid or provided | 16 | - | (32,044) | (32,044) |
| **Balance at 30 June 2019** | | **561,768** | **373,022** | **934,790** |
| **Balance at 1 July 2017** | | 561,768 | 319,828 | 881,596 |
| *Comprehensive income for the year* | | | | |
| Profit for the year | | - | 40,200 | 40,200 |
| Other comprehensive income for the year | | - | - | - |
| | | - | **40,200** | **40,200** |
| *Transactions with owners in their capacity as owners* | | | | |
| Dividends paid or provided | 16 | - | (28,839) | (28,839) |
| **Balance at 30 June 2018** | | **561,768** | **331,189** | **892,957** |

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

**East Keilor Community Financial Services Limited**
**ABN 18 096 939 507**
**Statement of Cash Flows**
**for the year ended 30 June 2019**

| | Note | 2019<br>$ | 2018<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 1,035,406 | 1,010,627 |
| Payments to suppliers and employees | | (908,770) | (897,467) |
| Interest received | | 13,153 | 7,104 |
| Income tax paid | | (27,107) | (32,607) |
| **Net cash flows provided by operating activities** | 18b | **112,682** | **87,657** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (6,548) | (877) |
| Purchase of investments | | - | (350,000) |
| Proceeds from Disposal of Investments | | 130,000 | - |
| **Net cash flows from/(used in) investing activities** | | **123,452** | **(350,877)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (32,044) | (28,839) |
| **Net cash flows used in financing activities** | | **(32,044)** | **(28,839)** |
| **Net increase/(decrease) in cash held** | | **204,090** | **(292,059)** |
| Cash and cash equivalents at beginning of financial year | | 392,677 | 684,736 |
| **Cash and cash equivalents at end of financial year** | 18a | **596,767** | **392,677** |

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

These financial statements and notes represent those of East Keilor Community Financial Services Limited.

East Keilor 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 9th September 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, were 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® branch at Keilor East.**

The branch 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.

## 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.

*Fair value assessment of non-current physical assets*

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

**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 AASB9, 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.

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

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

***AASB 9 Financial Instruments (continued)***

**(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 $244,000. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit

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,

To determine whether to recognise revenue, the company follows a 5-step process:
1. Identifying the contract with a customer

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the
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.

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

**(h) Change in accounting policies (continued)**

***Financial Instruments (continued)***

**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)
c) Financial assets at fair value through other comprehensive income (FVTOCI)

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 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.

*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.

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.

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

**(h) Change in accounting policies (continued)**

***Financial Instruments (continued)***

**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 | 84,841.00 | 84,841.00 |
| Term deposits | Held to maturity | Amortised cost | 350,000.00 | 350,000.00 |
| **Financial Liabilities** | | | | |
| Trade and other payables | Amortised cost | Amortised cost | 128,056.00 | 128,056.00 |

## 2. Revenue

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Revenue | | |
| - service commissions | 946,291 | 922,634 |
| | 946,291 | 922,634 |
| Other revenue | | |
| - interest received | 13,153 | 7,104 |
| | 13,153 | 7,104 |
| **Total revenue** | **959,444** | **929,738** |

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.

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, inlcuding interest rates.

*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 Adeliade Bank Limited, including fees for loan applications and account transactions.

**Revenue (continued)**

2. *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

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 Adeliade Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) 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

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

**Expenses**

3.

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Profit before income tax includes the following specific expenses:** | | |
| Employee benefits expense | | |
| - wages and salaries | 364,296 | 360,110 |
| - superannuation costs | 34,915 | 33,732 |
| - other costs | 39,760 | 51,879 |
| | 438,971 | 445,721 |

## 3 Expenses (continued)

| | 2019 $ | 2018 $ |
|---|---|---|
| Depreciation and amortisation | | |
| *Depreciation* | | |
| - leasehold improvements | 26,022 | 26,022 |
| - plant and equipment | 7,154 | 8,129 |
| | 33,176 | 34,151 |
| Amortisation | | |
| - franchise fees | 13,431 | 13,431 |
| | 13,431 | 13,431 |
| Total depreciation and amortisation | 46,607 | 47,582 |
| | | |
| Auditors' remuneration | | |
| *Remuneration of the Auditor, RSD Audit, for:* | | |
| - Audit or review of the financial report | 4,899 | 6,480 |
| - Accounting services | 3,792 | 4,152 |
| | 8,691 | 10,632 |

*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*
The depreciable amount of all fixed assets, including buildings and capitalised leased assets, is 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* |
|---|---|---|
| Leasehold improvements | 10% | Prime |
| Plant and equipment | 10-40% | Prime |

*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.

## 4. Income tax

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| **a. The components of tax expense comprise:** | | |
| Current tax expense | 25,207 | 22,120 |
| Deferred tax expense | (1,674) | (5,626) |
| Recoupment of prior year tax losses | | - |
| Under / (over) provision of prior years | (14,055) | 3,283 |
| | 9,478 | 19,777 |

**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:

| | 2019 | 2018 |
|---|---|---|
| Prima facie tax on profit before income tax at 27.5% (2018: 27.5%) | 22,923 | 16,494 |
| Add tax effect of: | | |
| - Utilisation of previously unrecognised carried forward tax losses | | |
| - Non-deductible expenses | 610 | - |
| - Under / (over) provision of prior years | (14,055) | 3,283 |
| - Other | - | - |
| **Income tax attributable to the entity** | 9,478 | 19,777 |
| The applicable weighted average effective tax rate is: | -11.37% | -32.97% |

**c. Current tax liability**

Current tax relates to the following:

*Current tax liabilities / (assets)*

| | 2019 | 2018 |
|---|---|---|
| Opening balance | 9,366 | 19,851 |
| Income tax paid | (27,106) | (32,605) |
| Current tax | 25,207 | 22,120 |
| Under / (over) provision prior years | (1) | - |
| | 7,466 | 9,366 |

**d. Deferred tax asset**

Deferred tax relates to the following:

| | 2019 | 2018 |
|---|---|---|
| **Deferred tax assets comprise:** | | |
| Property, plant & equipment | 21,292 | 3,622 |
| Accruals | (99) | 304 |
| Employee provisions | 6,109 | 7,069 |
| | **27,302** | **10,995** |
| **Deferred tax liabilities comprise:** | | |
| Accrued income | 729 | 221 |
| Property, plant & equipment | 1,356 | 1,284 |
| | 2,085 | 1,505 |
| **Net deferred tax asset** | 25,217 | 9,490 |
| Total carried forward tax losses not recognised as deferred tax assets: | - | - |

## 4. Income tax (continued)

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

| | | |
|---|---|---|
| Decrease / (increase) in deferred tax assets | 11,800 | (8,808) |
| (Decrease) / increase in deferred tax liabilities | 580 | (101) |
| Under / (over) provision prior years | (14,054) | 3,283 |
| | (1,674) | (5,626) |

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.

## 5. Cash and cash equivalents

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | 246,767 | 172,677 |
| Short-term bank deposits | 350,000 | 220,000 |
| | 596,767 | 392,677 |

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less.

The effective interest rate on short-term bank deposits was 2.3% (2018 1.17%); these deposits have an average maturity of 90 days.

## 6. Trade and other receivables

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Trade receivables | 83,669 | 84,841 |
| | 83,669 | 84,841 |

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

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 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.

## 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 | 83,669 | 83,669 | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| **Total** | **83,669** | **83,669** | - | - | - | - |
| **2018** | | | | | | |
| Trade receivables | 84,841 | 84,841 | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| **Total** | **84,841** | **84,841** | - | - | - | - |

## 7. Financial assets

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| *Amortised cost* | | |
| Term deposits | 220,000 | 350,000 |
| | 220,000 | 350,000 |

The effective interest rate on the bank deposit was 1.31% (2018: 2.1%).

**(a) Classification of financial assets**

The company classifies its financial assets in the following categories:
- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVTOCI)

Classifications are determined by both:
- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

**(b) Measurement of financial assets**

*Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

## 7. Financial assets (continued)

### (b) Measurement of financial assets (continued)

*Financial assets at fair value through profit or loss (FVTPL)*
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

*Financial assets at fair value through other comprehensive income (FVTOCI)*
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.

### (c) Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit
.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

### (d) Derecognition
Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## 8. Other assets

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Prepayments | 4,930 | 4,668 |
| Other | 3,010 | 805 |
| | 7,940 | 5,473 |

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.

## 9. Property, plant and equipment

| | 2019 $ At cost | 2019 $ Accumulated depreciation | 2019 $ Written down value | 2018 $ At cost | 2018 $ Accumulated depreciation | 2018 $ Written down value |
|---|---|---|---|---|---|---|
| Leasehold improvements - at cost | 260,219 | (156,319) | 103,900 | 260,219 | (130,297) | 129,922 |
| Plant and equipment - at cost | 105,832 | (68,166) | 37,666 | 99,294 | (61,022) | 38,272 |
| **Total property, plant and equipment** | **366,051** | **(224,485)** | **141,566** | **359,513** | **(191,319)** | **168,194** |

*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.

## 9. Property, plant and equipment (continued)

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)

**(b) Movements in carrying amounts of PP&E**

| 2019 | Opening written down value | Additions | Disposals | Revaluations | Depreciation | Closing written down value |
|---|---|---|---|---|---|---|
| Leasehold improvements | 129,922 | - | - | - | (26,022) | 103,900 |
| Plant and equipment | 38,272 | 6,548 | - | - | (7,154) | 37,666 |
| **Total property, plant and equipment** | **168,194** | **6,548** | **-** | **-** | **(33,176)** | **141,566** |

| 2018 | Opening written down value | Additions | Disposals | Revaluations | Depreciation | Closing written down value |
|---|---|---|---|---|---|---|
| Leasehold improvements | 155,944 | - | - | - | (26,022) | 129,922 |
| Plant and equipment | 45,524 | 877 | - | - | (8,129) | 38,272 |
| **Total property, plant and equipment** | **201,468** | **877** | **-** | **-** | **(34,151)** | **168,194** |

## 10. Intangible assets

| | 2019 $ At cost | 2019 $ Accumulated amortisation | 2019 $ Written down value | 2018 $ At cost | 2018 $ Accumulated amortisation | 2018 $ Written down value |
|---|---|---|---|---|---|---|
| Franchise fees | 67,153 | (35,178) | 31,975 | 67,153 | (21,747) | 45,406 |
| **Total intangible assets** | **67,153** | **(35,178)** | **31,975** | **67,153** | **(21,747)** | **45,406** |

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**

| **2019** | Opening written down value | Additions | Amortisation | Closing written down value |
|---|---|---|---|---|
| Franchise fees | 45,406 | - | (13,431) | 31,975 |
| **Total intangible assets** | **45,406** | **-** | **(13,431)** | **31,975** |

| **2018** | Opening written down value | Additions | Amortisation | Closing written down value |
|---|---|---|---|---|
| Franchise fees | 58,837 | - | (13,431) | 45,406 |
| **Total intangible assets** | **58,837** | **-** | **(13,431)** | **45,406** |

## 11. 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.

## 12. Trade and other payables

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Current** | | |
| *Unsecured liabilities:* | | |
| Trade creditors | 130,504 | 110,412 |
| Other creditors and accruals | 12,158 | 17,642 |
| | 142,662 | 128,054 |

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.

## 13. Provisions

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Current** | | |
| Employee benefits | 14,851 | 23,644 |
| **Non-current** | | |
| Employee benefits | 7,365 | 2,060 |
| **Total provisions** | 22,216 | 25,704 |

*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.

## 13 Provisions (continued)

*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.

## 14. Share capital

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| 594,400 Ordinary shares fully paid | 594,400 | 594,400 |
| 46,470 Bonus shares issued for no consideration | - | - |
| Less: Equity raising costs | (32,632) | (32,632) |
| | 561,768 | 561,768 |

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 | 640,870 | 640,870 |
| Shares issued during the year | - | - |
| At the end of the reporting period | 640,870 | 640,870 |

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.

**15. Retained earnings**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Balance at the beginning of the reporting period | 331,189 | 319,828 |
| Profit for the year after income tax | 73,877 | 40,200 |
| Dividends paid | (32,044) | (28,839) |
| Balance at the end of the reporting period | **373,022** | **331,189** |

**16. Dividends paid or provided for on ordinary shares**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Dividends paid or provided for during the year** | | |
| Interim and/or final fully franked ordinary dividend of 5 cents per share (2018:4.5) franked at the tax rate of 27.5% (2018: 27.5%). | 32,044 | 28,839 |

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<br>$ | 2018<br>$ |
|---|---|---|
| Basic earnings per share (cents) | 11.53 | 6.27 |
| Earnings used in calculating basic earnings per share | 73,877 | 40,200 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 640,870 | 640,870 |

*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.

## 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:**

| | 2019 $ | 2018 $ |
|---|---|---|
| Cash and cash equivalents (Note 5) | 596,767 | 392,677 |
| As per the Statement of Cash Flow | 596,767 | 392,677 |

**(b) Reconciliation of cash flow from operations with profit after income tax**

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit for the year after income tax | 73,877 | 40,200 |
| Non-cash flows in profit | | |
| - Depreciation and amortisation | 46,607 | 47,582 |
| Changes in assets and liabilities | | |
| - (Increase) / decrease in trade and other receivables | 1,172 | (3,778) |
| - (increase) / decrease in prepayments and other assets | (2,467) | 368 |
| - (Increase) / decrease in deferred tax asset | (15,727) | (2,344) |
| - Increase / (decrease) in trade and other payables | 14,608 | 8,944 |
| - Increase / (decrease) in current tax liability | (1,900) | (10,485) |
| - Increase / (decrease) in provisions | (3,488) | 7,170 |
| Net cash flows from operating activities | 112,682 | 87,657 |

## 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.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Short-term employee benefits | 6,000 | 6,000 |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Share-based payments | - | - |
| Total key management personnel compensation | 6,000 | 6,000 |

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

*Short-term employee benefits*
These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

*Post-employment benefits*
These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

*Other long-term benefits*
These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

*Share-based payments*
These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

### (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.

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

| Name of related party | Description of goods / services provided | Value $ |
|---|---|---|
| Hoffman & Stops | Accounting & Bookking Services | 13,238 |
| | | |

The East Keilor Community Financial Services Limited 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.

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

### (d) Key management personnel shareholdings

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

| | 2019 | 2018 |
|---|---|---|
| Gerard Mahoney | - | - |
| Terry Trewin | - | - |
| Peter Halaseh | - | - |
| Peter William Bruce Miller | - | - |
| John Andricciola | 500 | 500 |
| Gordon McFarlane | - | - |
| Mark Goldberg | - | - |
| Matthew O'Rouke | - | - |
| David Todd | 22,742 | 22,742 |
| | 23,242 | 23,242 |

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.

### (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

## 23. Commitments

### Operating lease commitments

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Payable: | | |
| - no later than 12 months | 53,688 | 53,540 |
| - between 12 months and five years | 134,216 | 190,535 |
| - greater than five years | - | - |
| **Minimum lease payments** | 187,904 | 244,075 |

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

## 24. 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. The Audit Committee is assisted in the area of risk management by an internal audit function.

*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, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies are as follows:

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 5 | 596,767 | 392,677 |
| Trade and other receivables | 6 | 83,669 | 84,841 |
| Financial assets | 7 | 220,000 | 350,000 |
| **Total financial assets** | | **900,436** | **827,518** |
| | | | |
| **Financial liabilities** | | | |
| Trade and other payables | 12 | 142,662 | 128,054 |
| **Total financial liabilities** | | 142,662 | 128,054 |

### (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.

## 24. 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.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

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 | 2.30% | 596,767 | 596,767 | - | - |
| Trade and other receivables | | 83,669 | 83,669 | - | - |
| Financial assets | 1.31% | 220,000 | 220,000 | - | - |
| **Total anticipated inflows** | | 900,436 | 900,436 | - | - |
| **Financial liabilities** | | | | | |
| Trade and other payables | | 142,662 | 142,662 | - | - |
| **Total expected outflows** | | 142,662 | 142,662 | - | - |
| **Net inflow / (outflow) on financial instruments** | | 757,774 | 757,774 | - | - |

## 24. 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 | 1.91% | 392,677 | 392,677 | - | - |
| Trade and other receivables | | 84,841 | 84,841 | - | - |
| Financial assets | 1.88% | 350,000 | 350,000 | - | - |
| **Total anticipated inflows** | | 827,518 | 827,518 | - | - |
| **Financial liabilities** | | | | | |
| Trade and other payables | | 128,054 | 128,054 | - | - |
| **Total expected outflows** | | 128,054 | 128,054 | - | - |
| **Net inflow / (outflow) on financial instruments** | | 699,464 | 699,464 | - | - |

* 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.

**Sensitivity analysis**

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Profit $ | Equity $ | Profit $ | Equity $ |
| +/- 1% in interest rates (interest income) | 8,168 | 8,168 | 7,427 | 7,427 |
| | 8,168 | 8,168 | 7,427 | 7,427 |

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

**East Keilor Community Financial Services Limited**
**ABN 18 096 939 507**
**Directors' Declaration**

In accordance with a resolution of the Directors of East Keilor Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 36 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.

3. The audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard *AASB124 Related Party Disclosures* and the *Corporations Regulations 2001.*

This resolution is made in accordance with a resolution of the Board of Directors.

**Peter Halaseh**
Director

Signed at 53 Wyong Street, Keilor East, VIC 3033 on 30th August 2019.

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## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF EAST KEILOR COMMUNITY FINANCIAL SERVICES LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

**Opinion**

We have audited the financial report of East Keilor 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 the financial report of East Keilor 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

**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.

## Auditor's Responsibility for the Audit of the Financial Report

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.

**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**
Chartered Accountants

**P. P. Delahunty**
Partner
Bendigo
Dated: 13 September 2019

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