



Annual Report 2019

Geographe Bay Community
Enterprises Limited

ABN 40 146 993 982

Busselton & Dunsborough **Community Bank®**

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Chairman's report

For year ending 30 June 2019

On behalf of the board, members and staff of Geographe Bay Community Enterprises Limited, I am very pleased to present the introduction and overview to this 2018/2019 Annual Report.

The Board had another solid year working together on a variety of initiatives and projects to ensure the ongoing success of the business. I would like to thank each of them for their support and time given with many voluntary hours of hard work have been put in over the past year.

Deputy Chair and Chair of Property Committee Josh Hardy, outgoing Treasurer and current Secretary and Chair of the Finance Committee Warwick Howard and Glyn Yates who continually contributes knowledge and experience to the Board. We also welcomed two new directors Treasurer Rebecca Cunningham and Chair of our Marketing and Sponsorship Committee Claire Spalding.

After a good three years we said goodbye to Merri Lea Lawrence, Paul Blackford, Gordon Bleechmore, in addition we recently said goodbye to Mike Clutterham who assisted our company for over five years flying in from South Australia bringing a wealth of corporate banking knowledge and experience.

I'd like to recognise Luke's efforts over the past year in his new role as Business Development Manager striving to reach the business's financial goals.

The branch staff Malin Selemark acting Branch Operational Manager, Michele Adams Customer Relationship Manager Home Loan Lender along with Donna Brown, Chris Bartlett and Gemma Bennett the Customer Service Officers, we also welcomed new team member Cailin Lilley. I would also like to thank Amy Cramer for her contribution whilst under our employ who is now with the Bendigo Perth support team.

As we grow our business Bendigo and Adelaide Bank Ltd continues to stand by their overarching philosophy investing in the community that we live in each year by way of sponsorship and market development funding allowing us to contribute over \$50,000 year on year.

We continue to develop partnerships with our local community groups which has resulted in greater referrals and business growth for our Busselton Community Bank Branch and Dunsborough Customer Service Centre.

Some of these community investments include the Busselton, Dunsborough & Yallingup Chambers, South West Young Professionals, CCI Business Awards, Vasse Art Awards, Humble Bike Co Dollars for Dirt program, Dunsborough Djiljit Mia Playground, FAWNA and, ongoing partnerships Busselton Croquet Club, Horse Vision and a Solar Panel project for Dunsborough Primary School.

We achieved a major goal by securing our future and consolidating historical debt. This came to fruition at the end of June 19 by way of the Extraordinary General Meeting passing the preference share deal and changes to the Constitution.

We issued 300,000 Redeemable Preference Shares to Bendigo and Adelaide Bank Limited at \$1.00 per Redeemable Preference Share which is a different class of share that has been created to not dilute the ordinary shareholders. It is redeemable for cash (\$1 per share) at our discretion and effectively is a debt for equity swap to ensure our net asset position returns to a positive. The reason for this is that we have a debt with Bendigo from the business not performing as initially expected when it started out. Now that we are profitable this debt is preventing dividends being paid to Shareholders. By converting some of this debt to equity it gives us a positive net asset position coupled with profits, which brings forward our ability to pay dividends by approximately three years.

In addition to allow this to occur a change in our constitution was passed allowing Bendigo only for the purposes of the share preference deal to own more than 10%.

Chairman's report

Many parties put hours of work over the last year into achieving this outcome.

Thank you to Bendigo Banks State Manager, Dennis Teale and the other Bendigo Bank Corporate Staff with whom I have assisted a regular basis, Anne Marie-Archer, Regional Manager Michelle Brace, Lauren Smillie as well as Keith McLuckie, Mark Cunneen who have been of great assistance over the past year.

We continually strive to be valued, respected and engaged in our community by providing a full range of financial services to our customers whilst being a significant contributor to the success of our local community.

I would like to sincerely thank those in the community who support our branches. It is because of you that we are able to support our community through local investment. The more people who bank with us and utilise the services and products offered, the better our financial position will become resulting in return on your investment. I urge you, your family, friends and acquaintances to all take advantage of the full banking services.

Why not pop into either of the branches, find out what's on offer and help us to help you.

I look forward to the work we will do together in 2019/20.



Jessica Claire O'Malley, Chair

Director's report

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

Directors

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

Jessica Claire O'Malley

Chair

Occupation: Settlement Agent

Qualifications, experience and expertise: Current: Licensee/Owner South West Property Settlements & Licensee/Owner of Regional Business News. Over 15 years experience in real estate and settlement industry. Licensed Real Estate and Business Agent - (holding current license certificate completed in 2006 RA60498). Licensed Settlement Agent (Diploma in Financial Services Conveyancing - current license certificate SA58363). Current other volunteer role - Treasurer for board of Busselton Jetty Inc. Previous roles Secretary of Geographe Bay Referral Group Inc. Current Business Member of Dunsborough Yallingup Chamber of Commerce, Busselton Chamber of Commerce and Bunbury Chamber of Commerce, Margaret River Busselton Tourism Association, AIM.

Special responsibilities: Chair, Marketing Committee, Human Resource Committee

Interest in shares: 3,000

Warwick William Howard

Treasurer and Co-Secretary

Occupation: Self-employed

Qualifications, experience and expertise: Warwick worked at BDO Chartered Accountants for 9 years in the Audit and Assurance Department, leaving as a Senior Manager. Since then he has been working as a General Manager for a diverse statewide WA based business specialising in Labour Management, Accommodation and Commercial Maintenance.

Special responsibilities: Treasurer

Interest in shares: 3,000

Glyn Yates

Director

Occupation: Company Director

Qualifications, experience and expertise: Chair Keystart Hone Loans Ltd, Chair Country Housing Authority, Director and past Chair of Collie & District Financial Services Limited, Past Councillor and Deputy President Collie Shire, Past President Collie Chamber of Commerce and Industry Inc, Past National Chair and current WA Representative on the Community Bank National Council. Tertiary qualifications in Forestry, business proprietor for more than 25 years, business interests in Forestry, land management, farming and commercial property. Graduate Australian Institute of Company Directors.

Other directorships: Collie & Districts Community Financial Services Ltd, Evergem Pty Ltd, G & R Yates Super Fund Pty Ltd, WFM Pty Ltd, Keystart Loans Ltd, Keystart Bonds Ltd, Keystart Support Pty Ltd, Keystart Support (subsidiary) Pty Ltd, Keystart Scheme Management Pty Ltd

Special responsibilities: Public Relations & Community Engagement Committee

Interest in shares: Nil

Joshua Jonathon Hardy

Director

Occupation: Managing Director

Qualifications, experience and expertise: Joshua is currently the General Manager of Cartec Training Solutions. In addition to these roles, Joshua also consults and advises to other businesses within the family portfolio. Over the years Joshua has gained extensive experience in the Information Technology, Mining and Business sectors. Joshua's strengths lie in Strategic Planning, Project Management, Financial Analysis and Business Improvement. Joshua held a position on the Executive Committee of the Dunsborough-Yallingup Chamber of Commerce and Industry for the past 12 months. Joshua is still a committee member of the Western Australian Racehorse Owners Association, of which he was treasurer for three years.

Special responsibilities: Nil

Interest in shares: 2,000

Director's report (continued)

Directors (*continued*)

Claire Louise Spalding

Director (*Appointed 30 October 2018*)

Occupation: Sole director, Brand Strategist at My Brand Story. Global Marketing & Sales Manager at NOROCK.

Qualifications, experience and expertise: Double Bachelor's Degree at Notre Dame University; BA Marketing & PR and BA Communications. Brand Strategist with over 14 years international marketing experience in the UK and Australian markets. Owner of My Brand Story, brand strategy business. Shareholder and manager of NOROCK.

Special responsibilities: Chair Marketing Committee

Interest in shares: Nil

Rebecca Cunningham

Treasurer (*Appointed 10 May 2019*)

Occupation: Home Duties

Qualifications, experience and expertise: Over 12 years in Project Management or Consultant roles within both government and private industry with experience in projects within sustainability, government, IT and construction. Acting CEO for Earthmine Australia. Post Graduate Certificate in Business at UWA. President of local Naturaliste Family Playgroup.

Special responsibilities: Marketing & Finance Committees

Interest in shares: Nil

Merri-Lea Lawrence

Director (*Resigned 30 April 2019*)

Occupation: Self Employed

Qualifications, experience and expertise: Current businesses/occupations: Graphic Designer - 25 years in industry (currently contracted to CinefestOZ). Business Owner - Seasalt & Cocoa - Catering, cupcakes & celebration cakes. Previous business/occupations: Graphic Designer & Art Director - Gumption. Business Owner/Creator - Empire Pizzeria. Director of E10 Pty Ltd (Master Licensee) - Imagine Telecommunications. Property Development & Property Rejuvenation. Graphic Designer & Art Director - The Brains Trust. Graphic Designer - The Alternative. Graphic Designer - John Davis Advertising. Training & Qualifications: Community Bank Director Development Program. Bendigo Bank New Director Induction. Bachelor of Arts in Design. Certificate in Art & Design. Skills: Graphic design, art direction, photography. Marketing & promotion. Developing strategies in line with existing policies, goals and objectives.

Special responsibilities: Chair Marketing Committee, Chair Boardroom Re-fit Committee

Interest in shares: 2,000

Paul Geoffrey Blackford

Director (*Resigned 7 May 2019*)

Occupation: Personal Trainer (Self Employed) - The Movement Dunsborough

Qualifications, experience and expertise: Past Occupations: Gym and Group Fitness Instructor - City of Busselton. Business Development Manager - Total Business Technology. Regional Business Development Manager - Computer Care Australia. Account Manager - Alphawest. Senior Network Engineer - Alphawest. System Administrator - CAZ Software. Community Groups: Apex Busselton since 2010 via family involvement (spouse is current chair person). Balcatta Volleyball Club Committee Member. Chair of Collie Youth Advisory Council. Tertiary Qualifications: Bachelor of Science - Computer Science. Employment Skills: Industry Technical and Sales Certifications - Microsoft, ShoreTel. General Business Acumen, Negotiation etc. Change and Risk Management.

Special responsibilities: Premises Committee, Board IT requirements

Interest in shares: 2,000

Director's report (continued)

Directors (*continued*)

Michael Bernard Clutterham

Co-Secretary (*Resigned 3 September 2019*)

Occupation: Retired

Qualifications, experience and expertise: Mike has worked in the Banking industry for 43 years including 16 years for Bendigo as Regional Manager for South Australia and Northern Territory, over-seeing the establishment of 14 branches. Last role with Bendigo was the State Community Enterprise Manager for SA/NT, the core role was to assist **Community Banks®** in engaging local communities, growing the business, training Directors and assisting in forming partnerships with local groups.

Special responsibilities: Secretary

Interest in shares: Nil

Gordon Clive Bleechmore

Director (*Resigned 29 November 2018*)

Occupation: Retired

Qualifications, experience and expertise: Farming 40 years. City of Busselton Councillor 8 years. Local Manager SES 7 years.

Special responsibilities: Nil

Interest in shares: 12,000

Nicole Jane Griffiths

Director (*Resigned 29 November 2018*)

Occupation: Self Employed

Qualifications, experience and expertise: Nikki is a local entrepreneur, having owned and managed several small business in Perth and the South West over the past 25 years. These include award winning Glass House Graphic Design Studio and Shoe Gal, a footwear retail business. She has a Master of Business Administration, has been a mentor for over 15 years and has had numerous local board appointments. Nikki is the winner of several business awards including Telstra Business Women's Award, MBN's Ambassador of the Year for Small Business, and is a two-time recipient of a WA Business New 40under40 Award.

Special responsibilities: Marketing and Human Resources

Interest in shares: 2,000

Matthew James Moulton

Director (*Resigned 4 October 2018*)

Occupation: Real Estate Agent

Qualifications, experience and expertise: Real Estate Agent - Action Southwest. Bankwest - Service Manager, Sales and Loans. Sales - Ski Industry - numerous companies around the world. Associate Diploma (Business Tourism). Real Estate Licence - Real Estate and Business Sales Representative.

Special responsibilities: Marketing Committee

Interest in shares: Nil

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

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

Director's report (continued)

Company Secretary

The company secretary is Warwick Howard. Warwick was appointed to the position of secretary on 24 May 2018 following the resignation of Michael Clutterham on the same day.

Warwick worked at BDO Chartered Accountants for 9 years in the Audit and Assurance Department, leaving as a Senior Manager. Since then he has been working as a General Manager for a diverse statewide WA based business specialising in Labour Management, Accommodation and Commercial Maintenance.

Principal Activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax including recognition of the deferred tax asset was:

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Profit/(loss) before tax	<u>95,982</u>	<u>(84,297)</u>
Break-down of income tax (expense)/credit:		
- taxable profit applied against carried-forward tax losses	(29,711)	-
- movement in deferred tax	1,781	-
- future income tax benefit brought to account	662,646	-
Profit/(loss) after tax	<u><u>730,698</u></u>	<u><u>(84,297)</u></u>

During the period, the company generated profit before tax of \$95,982 and is budgeting for \$132,655 profit before tax next year. Based on this, it is now considered probable that future taxable profit will be available against which the carried-forward tax losses can be utilised. As such, the deferred tax asset has been recognised in accordance with *AASB 112: Income Taxes*.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Director's report (continued)

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 and 21 to the financial statements. 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.

Indemnification and insurance of directors and officers

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

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

Director's report (continued)

Directors' meetings

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

	Board Meetings Attended	
	<u>A</u>	<u>B</u>
Jessica Claire O'Malley	12	12
Warwick William Howard	12	11
Glyn Yates	12	9
Joshua Jonathon Hardy	12	11
Claire Louise Spalding (<i>Appointed 30 October 2018</i>)	8	5
Rebecca Cunningham (<i>Appointed 10 May 2019</i>)	6	5
Merri-Lea Lawrence (<i>Resigned 30 April 2019</i>)	10	9
Paul Geoffrey Blackford (<i>Resigned 7 May 2019</i>)	9	8
Michael Bernard Clutterham (<i>Resigned 3 September 2019</i>)	12	12
Gordon Clive Bleechmore (<i>Resigned 29 November 2018</i>)	3	-
Nicole Jane Griffiths (<i>Resigned 29 November 2018</i>)	5	4
Matthew James Moulton (<i>Resigned 4 October 2018</i>)	5	3

A - eligible to attend

B - number attended

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the board of directors at Busselton, Western Australia on 9 September 2019.



Jessica Claire O'Malley, Chair

Lead auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Geographe Bay Community Enterprises Limited

As lead auditor for the audit of Geographe Bay Community Enterprises Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 9 September 2019

Joshua Griffin
Lead Auditor

Financial statements

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

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	791,819	745,722
Other income	5	78,155	76,017
Employee benefits expense		(385,910)	(396,219)
Charitable donations, sponsorship, advertising and promotion		(61,321)	(79,360)
Occupancy and associated costs		(95,266)	(124,915)
Systems costs		(47,922)	(61,810)
Depreciation and amortisation expense	6	(50,779)	(50,559)
Finance costs	6	(4)	-
General administration expenses		(132,790)	(193,173)
Profit/(loss) before income tax credit		95,982	(84,297)
Income tax credit	7	634,716	-
Profit/(loss) after income tax credit		730,698	(84,297)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		730,698	(84,297)
Earnings per share		¢	¢
Basic earnings/(loss) per share	22	46.08	(5.31)
Diluted earnings/(loss) per share	22	46.04	(5.31)

The accompanying notes form part of these financial statements

Financial statements (continued)

Balance Sheet as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Trade and other receivables	8	85,475	71,076
Total current assets		85,475	71,076
Non-current assets			
Property, plant and equipment	9	144,755	88,842
Intangible assets	10	61,722	89,537
Deferred tax asset	11	636,151	-
Total non-current assets		842,628	178,379
Total assets		928,103	249,455
LIABILITIES			
Current liabilities			
Trade and other payables	12	93,908	91,002
Borrowings	13	704,535	1,051,757
Provisions	14	35,886	27,564
Total current liabilities		834,329	1,170,323
Non-current liabilities			
Trade and other payables	12	15,389	30,779
Provisions	14	16,547	13,428
Total non-current liabilities		31,936	44,207
Total liabilities		866,265	1,214,530
Net assets/(liabilities)		61,838	(965,075)
EQUITY			
Issued capital	15	1,837,157	1,540,942
Accumulated losses	16	(1,775,319)	(2,506,017)
Total equity		61,838	(965,075)

The accompanying notes form part of these financial statements

Financial statements (continued)

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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017		1,540,942	(2,421,720)	(880,778)
Total comprehensive income for the year		-	(84,297)	(84,297)
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares, net of tax benefit		-	-	-
Dividends provided for or paid		-	-	-
Balance at 30 June 2018		1,540,942	(2,506,017)	(965,075)
Balance at 1 July 2018		1,540,942	(2,506,017)	(965,075)
Total comprehensive income for the year		-	730,698	730,698
Transactions with owners in their capacity as owners:				
Shares issued during period	15	300,000	-	300,000
Costs of issuing shares, net of tax benefit	15	(3,785)	-	(3,785)
Dividends provided for or paid		-	-	-
Balance at 30 June 2019		1,837,157	(1,775,319)	61,838

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		928,579	893,928
Payments to suppliers and employees		(768,487)	(852,888)
Interest paid		(4)	-
Net cash provided by operating activities	17	160,088	41,040
Cash flows from investing activities			
Payments for property, plant and equipment		(78,877)	-
Payments for intangible assets		(28,769)	(28,769)
Net cash used in investing activities		(107,646)	(28,769)
Cash flows from financing activities			
Proceeds from redeemable preference share issues	15	300,000	-
Payment of share issue costs	15	(5,220)	-
Net cash provided by financing activities		294,780	-
Net increase in cash held		347,222	12,271
Cash and cash equivalents at the beginning of the financial year		(1,051,757)	(1,064,028)
Cash and cash equivalents at the end of the financial year	13(a)	(704,535)	(1,051,757)

The accompanying notes form part of these financial statements

Notes to the financial statements

for the year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2019

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

a) Basis of preparation (*continued*)

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

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

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

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$524,974.

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern

The net assets of the company as at 30 June 2019 were \$61,838 and the profit made for the year (including recognition of deferred tax asset) was \$730,698, bringing retained earnings to \$1,775,319.

In addition:	\$
Total assets were	928,103
Total liabilities were	866,265
Operating cash flows were	160,088

There was a 213.86% increase in the profit before tax recorded for the financial year ended 30 June 2019 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility that was renewed effective 1 July 2019. The overdraft has an approved limit of \$900,000 and was drawn to \$703,890 as at 30 June 2019. In addition to the renewal, the company's interest free period has expired and incur interest at a rate of 3.205% per annum.

The company had an interest free period commencing 1 October 2013 which ended 30 June 2019 following the successful debt-for-equity swap transacted with Bendigo & Adelaide Bank Limited. During the current year, \$4 of interest expense was incurred.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 1 to 6. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has reported an operating profit for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Notes to the financial statements (continued)

for the year ended 30 June 2019

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

a) Basis of preparation (*continued*)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Busselton and sub-branch at Dunsborough, Western Australia.

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

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

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

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Notes to the financial statements (continued)

for the year ended 30 June 2019

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

b) Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Notes to the financial statements (continued)

for the year ended 30 June 2019

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

b) Revenue (*continued*)

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 40	years

Notes to the financial statements (continued)

for the year ended 30 June 2019

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

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

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

Notes to the financial statements (continued)

for the year ended 30 June 2019

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

k) Financial instruments (*continued*)

Classification and subsequent measurement (continued)

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2019

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

k) Financial instruments (*continued*)

Impairment (continued)

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

Notes to the financial statements (continued)

for the year ended 30 June 2019

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

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 2. Financial risk management (continued)

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 3. Critical accounting estimates and judgements (*continued*)

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 4. Revenue from ordinary activities	2019	2018
	\$	\$
Operating activities:		
- gross margin	650,497	602,367
- services commissions	89,859	91,104
- fee income	51,463	50,251
Total revenue from operating activities	<u>791,819</u>	<u>743,722</u>
Non-operating activities:		
- other revenue	-	2,000
Total revenue from non-operating activities	<u>-</u>	<u>2,000</u>
Total revenues from ordinary activities	<u>791,819</u>	<u>745,722</u>

Note 5. Other income

Discretionary financial contributions

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

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

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

Market Development fund	<u>78,155</u>	<u>76,017</u>
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Note 6. Expenses

Depreciation of non-current assets:		
- leasehold improvements	21,675	22,527
- plant and equipment	1,289	1,170
Amortisation of non-current assets:		
- franchise fee	3,192	2,237
- renewal processing fee	11,192	11,193
- sub branch franchise fee	2,239	2,239
- sub branch renewal processing fee	11,192	11,193
	<u>50,779</u>	<u>50,559</u>
Finance costs:		
- interest paid	<u>4</u>	<u>-</u>
Bad debts	<u>73</u>	<u>63</u>
Loss on disposal of asset	<u>-</u>	<u>65,984</u>

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 7. Income tax expense/(credit)	2019	2018
	\$	\$
The components of tax expense/(credit) comprise:		
- Future income tax benefit attributable to losses	-	(17,767)
- Movement in deferred tax	(1,781)	(6,391)
- Recoupment of prior year tax losses	29,711	-
- Future income tax benefit brought to account	(662,646)	-
- Future income tax benefit not brought to account	-	24,158
	<u>(634,716)</u>	<u>-</u>
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows		
Operating profit/(loss)	95,982	(84,297)
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2018: 27.5%)	26,395	(23,182)
Add tax effect of:		
- non-deductible expenses	1,536	18,146
- timing difference expenses	2,067	5,415
- other deductible expenses	(287)	(18,146)
	<u>29,711</u>	<u>(17,767)</u>
Movement in deferred tax	(1,781)	(6,391)
Tax losses brought to account	(662,646)	-
Tax losses not brought to account	-	24,158
	<u>(634,716)</u>	<u>-</u>
Note 8. Trade and other receivables		
Trade receivables	80,244	65,395
Prepayments	3,777	5,681
Other receivables and accruals	1,454	-
	<u>85,475</u>	<u>71,076</u>
Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	284,960	206,534
Less accumulated depreciation	(143,362)	(121,687)
	<u>141,598</u>	<u>84,847</u>
Plant and equipment		
At cost	16,767	16,316
Less accumulated depreciation	(13,610)	(12,321)
	<u>3,157</u>	<u>3,995</u>
Total written down amount	<u>144,755</u>	<u>88,842</u>

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 9. Property, plant and equipment (continued)	2019	2018
	\$	\$
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	84,847	173,358
Additions	78,426	-
Disposals	-	(65,984)
Less: depreciation expense	(21,675)	(22,527)
Carrying amount at end	<u>141,598</u>	<u>84,847</u>
Plant and equipment		
Carrying amount at beginning	3,995	5,165
Additions	451	-
Disposals	-	-
Less: depreciation expense	(1,289)	(1,170)
Carrying amount at end	<u>3,157</u>	<u>3,995</u>
Total written down amount	<u>144,755</u>	<u>88,842</u>
Note 10. Intangible assets		
Establishment fee		
At cost (Dunsborough)	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
At cost (Busselton)	61,145	61,145
Less: accumulated amortisation	(61,145)	(61,145)
	<u>-</u>	<u>-</u>
Franchise fee		
At cost (Dunsborough)	21,192	21,192
Less: accumulated amortisation	(16,922)	(13,730)
At cost (Busselton)	19,927	19,927
Less: accumulated amortisation	(14,705)	(12,466)
	<u>9,492</u>	<u>14,923</u>
Renewal fee		
At cost (Dunsborough)	55,961	55,961
Less: accumulated amortisation	(29,846)	(18,654)
At cost (Busselton)	55,961	55,961
Less: accumulated amortisation	(29,846)	(18,654)
	<u>52,230</u>	<u>74,614</u>
Total written down amount	<u>61,722</u>	<u>89,537</u>

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 11. Tax	2019	2018
	\$	\$
Non-current:		
Deferred tax assets		
- accruals	1,243	1,224
- employee provisions	14,419	12,370
- equity raising costs	1,148	-
- tax losses carried forward	619,341	649,053
	<u>636,151</u>	<u>662,647</u>
Deferred tax benefit		
Deferred tax benefit not recognised	-	(662,647)
	<u>636,151</u>	<u>-</u>
Net deferred tax asset		
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(636,151)</u>	<u>(6,391)</u>

In the year ended 30 June 2019, the company generated profit before tax of \$95,982. It is now considered probable that future taxable income will be available against which the unused tax losses can be utilised. As such, the deferred tax asset has been brought to account in accordance with *AASB 112: Income Taxes*.

Note 12. Trade and other payables		
Current:		
Trade creditors	44,324	20,028
Other creditors and accruals	49,584	70,974
	<u>93,908</u>	<u>91,002</u>
Non-current:		
Other creditors and accruals	<u>15,389</u>	<u>30,779</u>

Note 13. Borrowings		
Current:		
Funds held in trust liability	645	665
Bank overdrafts	703,890	1,051,092
	<u>704,535</u>	<u>1,051,757</u>

The bank overdraft was re-negotiated with the borrower following the successful completion of the debt for equity swap. This resulted in the overdraft facility being reduced to \$900,000 from \$1,250,000 and the lapsing of the interest free period. Interest is now charged at 3.205% and is secured by a floating charge over the Company's assets.

Funds held in trust liability relates to Community POS funds received during the period less amounts paid out to community groups for the use of the merchant facility.

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 13.(a) Reconciliation to cash flow statement	Notes	2019 \$	2018 \$
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Funds held in trust liability	13	(645)	(665)
Bank overdraft	13	(703,890)	(1,051,092)
		<u>(704,535)</u>	<u>(1,051,757)</u>

Note 14. Provisions

Current:

Provision for annual leave	30,229	27,564
Provision for long service leave	5,657	-
	<u>35,886</u>	<u>27,564</u>

Non-current:

Provision for long service leave	<u>16,547</u>	<u>13,428</u>
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Note 15. Issued capital

1,585,609 ordinary shares fully paid (2018: 1,585,609)	1,585,609	1,585,609
300,000 redeemable preference shares fully paid (2018: nil)	300,000	-
Less: equity raising expenses	(48,452)	(44,667)
	<u>1,837,157</u>	<u>1,540,942</u>

Rights attached to ordinary shares

(a) Voting rights

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

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 15. Issued capital (*continued*)

Rights attached to ordinary shares (*continued*)

(b) *Dividends*

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

(c) *Transfer*

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

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

Rights attached to preference shares

(a) *Voting rights*

A preference share does not entitle the holder to vote on any resolutions proposed at a general meeting of the holders of ordinary shares in the capital of the company except in the following circumstances:

- (i) if at the time of the commencement of the meeting a dividend, or part of a dividend, on the preference shares is in arrears;
- (ii) on a proposal to reduce the company's share capital;
- (iii) on a resolution to approve the terms of a buy-back agreement;
- (iv) on a proposal that affects rights attaching to a preference share;
- (v) on a proposal to wind up the company;
- (vi) on a proposal for the disposal of the whole of the company's property, business and undertaking; or
- (vii) during the winding up of a company.

A preference share does entitle the holder to vote on any resolutions proposed at a meeting of preference shareholders only on the basis of one vote per preference share.

(b) *Dividends*

A preference share has full dividend rights, identical to those of ordinary shares, and except on a winding up of the company such dividend rights will not be in priority to but will be equal to the rights of holders of ordinary shares.

(c) *Transfer*

Preference shares are non-transferrable or saleable except with the prior written approval of the board of directors of the company and the holder must not sell or transfer interest in, or grants options over, the preference shares except with the prior written approval of the directors.

(d) *Rights on winding up*

Upon winding up of the company, each preference share confers upon its holder the right to payment in cash, from any surplus assets or profits of the company, of the capital then paid up on that preference share, and any dividends or income due to it in connection with that preference share in priority to any other class of shares in the company, but otherwise has no right to participate in the surplus profits or assets of the company.

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 15. Issued capital (*continued*)

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 303. As at the date of this report, the company had 337 shareholders.

In respect the the 10% limit, the company constitution was amended following the successful completion of the debt for equity swap. The amendment states a person other than Bendigo & Adelaide Bank Limited must not have a prohibited shareholding interest.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 16. Accumulated losses	2019	2018
	\$	\$
Balance at the beginning of the financial year	(2,506,017)	(2,421,720)
Net profit/(loss) from ordinary activities after income tax	730,698	(84,297)
Balance at the end of the financial year	<u>(1,775,319)</u>	<u>(2,506,017)</u>

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 17. Statement of cash flows	2019	2018
	\$	\$
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	730,698	(84,297)
Non cash items:		
- depreciation	22,964	23,697
- amortisation	27,815	26,862
- loss on disposal of non-current assets	-	65,984
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(14,399)	892
- increase in other assets	(634,716)	-
- (increase)/decrease in payables	16,285	(11,327)
- increase in provisions	11,441	19,229
Net cash flows provided by operating activities	<u>160,088</u>	<u>41,040</u>

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	65,999	63,255
- between 12 months and 5 years	103,281	161,996
- greater than 5 years	-	-
	<u>169,280</u>	<u>225,251</u>

The rental lease agreement on the Busselton branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The lease entered its second five year term on 20 October 2016.

The rental sub-lease agreement on the Dunsborough branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The lease commenced 1 June 2018 and has the option for one further term of five years.

Note 19. Auditor's remuneration

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

- audit and review services	6,000	5,900
- share registry services	1,885	1,885
- non audit services	6,940	5,370
	<u>14,825</u>	<u>13,155</u>

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 20. Director and related party disclosures

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

Jessica Claire O'Malley
Warwick William Howard
Glyn Yates
Joshua Jonathon Hardy
Claire Louise Spalding (*Appointed 30 October 2018*)
Rebecca Cunningham (*Appointed 10 May 2019*)
Merri-Lea Lawrence (*Resigned 30 April 2019*)
Paul Geoffrey Blackford (*Resigned 7 May 2019*)
Michael Bernard Clutterham (*Resigned 3 September 2019*)
Gordon Clive Bleechmore (*Resigned 29 November 2018*)
Nicole Jane Griffiths (*Resigned 29 November 2018*)
Matthew James Moulton (*Resigned 4 October 2018*)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transaction with Key Management Personnel:

	<u>2019</u>	<u>2018</u>
	\$	\$
Merri-Lea Lawrence, supplied catering for the AGM, and provided graphic design services in during the period.	660	1,760

Directors Shareholdings

	<u>2019</u>	<u>2018</u>
Jessica Claire O'Malley	3,000	3,000
Warwick William Howard	3,000	3,000
Glyn Yates	-	-
Joshua Jonathon Hardy	2,000	2,000
Claire Louise Spalding (<i>Appointed 30 October 2018</i>)	-	-
Rebecca Cunningham (<i>Appointed 10 May 2019</i>)	-	-
Merri-Lea Lawrence (<i>Resigned 30 April 2019</i>)	2,000	2,000
Paul Geoffrey Blackford (<i>Resigned 7 May 2019</i>)	2,000	2,000
Michael Bernard Clutterham (<i>Resigned 3 September 2019</i>)	-	-
Gordon Clive Bleechmore (<i>Resigned 29 November 2018</i>)	12,000	12,000
Nicole Jane Griffiths (<i>Resigned 29 November 2018</i>)	2,000	2,000
Matthew James Moulton (<i>Resigned 4 October 2018</i>)	-	-

There was no movement in directors shareholdings during the year.

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 21. Key management personnel disclosures

Michael Bernard Clutterham receives income for directorial services provided to the company as part of the financial assistance package provided by Bendigo and Adelaide Bank Limited. The assistance package ceased on 3 September 2019 with the resignation of Michael.

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

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

Note 22. Earnings/(loss) per share	2019	2018
	\$	\$
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	730,698	(84,297)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,587,609	1,587,609
(c) Weighted average number of ordinary and preference shares used as the denominator in calculating diluted earnings per share	1,587,253	1,587,609

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Dunsborough and Busselton, Western Australia pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
50-54 Queen Street	50-54 Queen Street
Busselton WA 6280	Busselton WA 6280

Notes to the financial statements (continued)

for the year ended 30 June 2019

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Receivables	-	-	-	-	-	-	-	-	80,244	65,395	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	704,535	1,051,757	N/A	N/A
Payables	-	-	-	-	-	-	-	-	44,324	20,028	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be \$nil. This is due to the company not holding any deposits or liable for any borrowings which are subject to interest.

Directors' Declaration

In accordance with a resolution of the directors of Geographe Bay Community Enterprises Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Jessica Claire O'Malley, Chair

Signed on the 9th of September 2019.

Independent Auditor's Report



Partners in success

Chartered Accountants

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

Independent auditor's report to the members of Geographe Bay Community Enterprises Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Geographe Bay Community Enterprises Limited, is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

Geographe Bay Community Enterprises Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company generated a net profit after tax of \$730,698 during the year ended 30 June 2019, increasing the company's net assets to \$61,838. The profit after tax included a tax credit of \$662,646 to recognise the carried-forward tax losses under *AASB 112 Income Taxes*. The company generated a profit before tax of \$95,982 being the first profit reported.

Notes to the financial statements (continued)

These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters. The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 9 September 2019



Joshua Griffin
Lead Auditor

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(DATE: 10/19)



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