# Inglewood & Districts Community Enterprises Limited

ABN 87 123 959 375


# 2019 Annual Report

Inglewood & Districts Community Bank Branch

# Contents

# Chairman's report

## For year ending 30 June 2019

The one constant every year is change… that is it will happen.

2019 was another strong, active year in our business. Solid growth, a number of staff changes (all positive) and the ongoing delivery of banking services to our customers have driven another busy year.

Also the Banking Royal Commission findings were handed down in February, and with this came additional processes and procedures. All these head office requirements have been implemented at the branch and additional staff training completed. All this was compatible with our ongoing staff development programs.

The past 12 months has been challenging for banking across Australia with typically lower than expected business. Our Community Bank branch has continued to lead by example, delivering solid growth year on year, across all our banking sectors. A great result demonstrating our continued efforts in understanding and meeting the needs of our customers.

Our branch staff remain enthusiastic and work hard to deliver the banking services we all come to expect. They have again lead the way at Inglewood & Districts Community Bank Branch in increasing our business volume and generating the profits which are shared throughout our local community.

With the fantastic support and loyalty received from our customers, our Bank continues to be a 'stand out' example of how well the Community Bank model can be implemented.

Exciting times ahead as we start the 2019/20 year with a great team… and a very solid customer base.

The future growth opportunities for our Community Bank branch remain positive, across both the rural and business banking areas. These together with the opportunities the population growth corridor between Bendigo and Loddon (through Marong) presents, has us well placed going forward.

The challenge for the business over the next few years will be to capitalise on these opportunities. The team that we currently have in place have the experience, passion and drive to make this happen.

**Staff updates**

Peter Barclay – Leadership of the branch changed over around 12 months ago, with the retirement of Jill Burdett. The branch is now headed by Peter. Originally from Donald (Vic), his extensive banking and operational experience across Victoria has added another dimension to our Community Bank branch. His guidance and leadership of both the staff and the overall business will ensure our plans are well implemented.

Ursula Nott retired in June after three years of great work for our Bank and is enjoying her new found freedom.

Our newest addition to the branch is Will Long, who has commenced as a trainee. He is brand new to the banking industry and has been welcomed by both the customers and the branch team.

Jon Champion will soon celebrate 10 years with us. He has been instrumental in driving the growth of the Agri Business aspects of our Community Bank branch. Jon has recently taken a six month temporary position at head office. During this time as a Rural Finance replacement, we have been fortunate to have Matt Gill (local and very experienced Rural Finance Manager) cover Jon's role.

**The Board**

This year will also see the retirement of some of our long-term Directors.

All have helped drive the establishment, growth and maturity of our Community Bank branch into a strong successful business. On behalf of all involved, I wish to thank them for their contributions.

# Chairman's report (continued)

**Our community**

Again our programs all achieved positive outcomes this year with the consistent uptake of the learner driver program, the scholarship programs, the extensive list of community grants and sponsorships across our district. These, together with the major capital works programs across our district, are great examples of how doing business with our Community Bank branch delivers back into our community.

Our achievements to date are a cause of celebration and pride.

Our success has not come easily and would not have been possible without the hard work and dedication of our staff, the faith shown by our shareholders and the support of our customers.

The Board is always looking for fresh ideas to further develop our community. We encourage new people with different views and perspectives to join us. We need to establish a continuous cycle of regeneration and reinvigoration within the Board. Please consider being part of that process.

This will also be my last year as Chairman. I have enjoyed my time as both a Director and Chairman over the past seven years. It has been a very rewarding experience on all fronts. I do thank everyone involved for this opportunity and really appreciated the support given to the role.

On behalf of the Board I thank you all for another very successful year.

**Dave Edwards**
**Chairman**

# Manager's report

## For year ending 30 June 2019

It gives me great pleasure in advising you all that we have had another very successful year with our business continuing to strengthen, grow and prosper.

The business figures as at 30 June 2019 being:

| | |
|---|---|
| Deposit Footings: | $62.569 million |
| Lending Footings: | $36.454 million |
| Other Business: | $36.832 million |
| Total Business: | $135.855 million |

The 2018/19 financial year saw our overall growth from $129.557 million as at 30 June 2018 to $135.855 million as at 30 June 2019 giving us an increase of $6.298 million for the year. What a terrific result, and well done to all who were involved in this remarkable achievement.

This year has seen some changes at the Inglewood & Districts Community Bank Branch with a new Branch Manager commencing on 1 October 2018, and a new trainee, Will Long, who commenced with us on 17 June 2019. I take this opportunity to thank Ursula Nott, Customer Service Officer who retired on Friday 28 June 2019. Congratulations on a job well done Ursula and your efforts were greatly appreciated.

We became a Community Bank company in 2007 with $21 million on the books. 12 short years later we have $135.855 million. This represents an amazing growth of $114.855 million. The business continues to exceed the initial feasibility study expectations and a predicted maximum business size of $88 million. Our current position is greater than this forecast by $47.855 million. We are hoping to further increase and grow our local foothold on a sustained basis.

We continue to make a difference in our local communities through grants and sponsorships to many worthwhile projects such as Driver Education Courses, Scholarships, Inglewood Town Hall Hub, Serpentine Recreation Reserve, to list just a few. Since 2007 we have invested a total of $1.5 million into our district. How much better off are our local communities now and all of this is made possible simply through customers supporting us by banking with us.

If you are not a customer I urge you to jump onboard and be part of this great Community Bank branch. Let your banking make a difference in your community.

The branch staff – Jon, Suzanne, Stewart, Ruth and Will – are all well versed in their product knowledge and are keen to assist and support you. When you walk through the door at Inglewood you will receive a big welcome as a valued customer.

I have thoroughly enjoyed my first nine months in the Branch Manager role and look forward to a big 2019/20 year.

It would be most remiss of me not to thank the great team members of both the Inglewood & Districts Community Bank Branch and the Wedderburn Agency team led by Leigh and Jenny Randall. Our teams strive to assist and provide solutions to our community customers. I would also like to single out and thank our fine and professional Board of Directors for their great support and leadership, regional office staff, shareholders, and of course our customers.

None of the great successes we have achieved would be possible without each and every contribution the aforementioned bodies have provided. These contributions all count.

Our success at the Inglewood & Districts Community Bank Branch is your success.

**Peter Barclay**
**Branch Manager**

# Directors' report

## For the financial year ended 30 June 2019

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

### Directors

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

David Allan Edwards
Chairman
Occupation: Manger - Bridgewater Farmware
Qualifications, experience and expertise: Dave (together with wife Leanne) is co-owner and Manager of Bridgewater Farmware, a rural supplies & services business in Bridgewater. Dave also holds positions on various community committees including the Bridgewater on Loddon Development Committee. David has a tertiary qualification in engineering, Project and Operational Management. Prior to running Farmware, held various corporate Operations Management roles over a 15 year period.
Special Responsibilities: Chairman, HR Sub-Committee, Scholarship Sub-Committee
Interests in shares: 7,500

Kim Hanlon
Secretary
Occupation: Manager - Inglewood Community Neighbourhood House Inc., Company Secretary - Inglewood & Districts Community Enterprises Limited
Qualifications, experience and expertise: Kim is currently the Company Secretary of our organisation and is the Manager of the Inglewood Community Neighbourhood House. Her qualifications include a Diploma of Business and Certificate IV in Workplace Assessment and Training. Kim has an extensive career in Office Administration and Bookkeeping. She was a past Secretary and Treasurer of the Inglewood Tourism and Development Committee Inc. and is a strong advocate for Community Development and social justice. Kim is a 2010 graduate of the Loddon Murray Community Leadership Program.
Special Responsibilities: Minute taker of Marketing, Sponsorships & Business Development Sub-Committee
Interest in shares: 500

Kenneth John Canfield
Treasurer
Occupation: Primary Producer
Qualifications, experience and expertise: Held executive positions with the Inglewood Golf and Bowls Clubs, Member of Salisbury West Landcare Group and member of Salisbury/Powlett Fire Brigade. He is now a semiretired farmer with around 60 years experience.
Special Responsibilities: Treasurer, Governance & Audit Sub-Committee
Interests in shares: 1,001

Simon Patrick Tuohey
Director
Occupation: Primary Producer
Qualifications, experience and expertise: Currently Vice Chair/ Football operations of the Loddon Valley Football Netball League. Secretary and 2nd Lieutenant of the Serpentine CFA. Chair of Serpentine Recreation Reserve. He is also a member of the Loddon Environmental Action Group, Bears Lagoon Serpentine FNC and Serpentine Tennis Club.
Special Responsibilities: Scholarship Sub-Committee
Interests in shares: 2,501

Colleen Mary Condliffe
Director
Occupation: Primary Producer/Loddon Shire Councillor
Qualifications, experience and expertise: Colleen is a Director of the Centre Victorian Rural Women Network, Women's Health Loddon Mallee, North West Rural Financial Counselling Service Advisory Committee and the Dingee Bush Nursing Centre.
Special Responsibilities: HR Sub-Committee, Business Development Sub-Committee
Interest in shares: 501

Directors *(continued)*

Linda Joy Younghusband
Director
Occupation: Farming Assistant/Medical Receptionist
Qualifications, experience and expertise: Was a co-owner of family business, Williamson street 24 hour store, in Bendigo for 12 years. Currently runs the family farm as well as a medical receptionist. I have been on school council at Inglewood Primary School holding the positions of Secretary and President. Also on Parents Association at both Inglewood and Wedderburn Schools. Involved with Wedderburn Junior Football Club Committee and currently secretary/treasurer at Arnold Cricket Club.
Special Responsibilities: Marketing, Sponsorships & Business Development Sub-Committee, Scholarship Sub-Committee
Interests in shares: 500

Stewart Dean Luckman
Director
Occupation: Banker
Qualifications, experience and expertise: Previously employed as a Flour Miller at Laucke Flour Mill. Currently employed as a Banker at the Inglewood & Districts Community Bank. Inglewood Primary School committee representative, Inglewood council treasurer, Member of Inglewood & Bridgewater Men's Shed as well as being a social member of the Inglewood and Bridgewater RSL. Stewart is also a graduate of the Loddon Murray Community Leadership Program and a Central Umpire for the Loddon Valley Football League and holds a Certificate III in financial services.
Special Responsibilities: Marketing, Sponsorships & Business Development Sub-Committee, Scholarship Sub-Committee
Interest in shares: Nil

Murray James Baud
Director
Occupation: Retired - Telecommunications Technology Manager
Qualifications, experience and expertise: Previous employee of Telstra, completing 36 years in network operations and mobile network engineering. As a national manager, responsible for new mobile products specification, development and delivery. He has experience in business process reengineering, quality and business management. After leaving Telstra in 2006, operated as a private Technology consultant with multiple assignments in Australia and Asia. He has a Certificate of Technology (Electronics) and a Graduate Diploma in Applied Information (RMIT). Murray actively supports Lions Club International as Past District Governor, Past President of Inglewood Lions and is a trustee of Lions V Districts Cancer Foundation. He has various roles in local community organisations including Inglewood Eucalyptus Distillery Museum, Inglewood & Districts Historical Society and is a member of Inglewood Development & tourism Committee and a past member of Inglewood Town Hall Hub Working Group.
Special responsibilities: HR Sub-Committee, Scholarship Sub-Committee
Interest in shares: 5000

George Arthur Wyatt
Director
Occupation: Retired
Qualifications, experience and expertise: George is currently retired from a tertiary teaching career and has been involved in cricket and football clubs in Newbridge over an extended period. He has also had some experience in the finance and securities industry and holds tertiary academic qualifications.
Special Responsibilities: Low Volume Market, Governance & Audit Sub-Committee
Interests in shares: 19,001

### Directors *(continued)*

Thomas Samuel Jackson
Director
Occupation:  Jackson AVT
Qualifications, experience and expertise: Thomas is an extremely community and business minded person, with a very enthusiastic and dedicated approach to any task he takes on. Thomas has worked in the Technology and Audio Visual field for 6+ years. Thomas founded his own IT & Audio Visual business in 2016, Jackson Digital provides a number of services to the Melbourne, Bendigo & Central Victoria region. Thomas currently holds two executive roles with Wedderburn Tourism (President) and Inglewood and Districts Community Bank (Director), he also holds the position as a General Committee Member with various other committees.
Special Responsibilities: Marketing, Sponsorships & Business Development Sub-Committee
Interests in shares: Nil

Prue Janelle Milgate
Director *(Appointed 27 November 2018)*
Occupation: Primary Producer
Qualifications, experience and expertise: Prue is a past Board Director of the North Central Catchment Management Authority (NCCMA), past Audit Chair of the NCCMA Board and has completed the Australian Institute of Company Director's Course. She holds a Bachelor of Agricultural Science and a Bachelor of Business (Finance Major). Prue is married with two young children and has lived, worked and played in our community all her life.
Special Responsibilities: Nil
Interests in shares: 125

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

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

### Company Secretary

The company secretary is Kim Hanlon. Kim was appointed to the position of secretary on 26 November 2013.

Kim is currently the Executive Officer of the organisation and is the Manager of the Inglewood Community Neighbourhood House. Her qualifications include a Diploma of Business and Certificate IV in Workplace Assessment and Training. Kim has an extensive career in Office Administration and bookkeeping, and was a past Secretary and Treasurer of the Inglewood Tourism and Development Committee Inc. She is a strong advocate for Community Development and Social Justice. Kim is a graduate of the Loddon Murray Community Leadership Program. Kim was a former President of the Korong Community News letter Inc.  and former Treasurer of the Inglewood Football Netball Club, both ceased Nov 2014.

### Principal Activities

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

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

### Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

| Year ended 30 June 2019 $ | Year ended 30 June 2018 $ |
|---|---|
| 48,414 | 14,946 |

| Dividends | Year ended 30 June 2019 Cents | $ |
|---|---|---|
| Dividends paid in the year | 7 | 35,379 |

### 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 of which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 18 and 20 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.

### Directors' meetings

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

| | Board Meetings Attended | | **Committee Meetings Attended** | | | |
|---|---|---|---|---|---|---|
| | | | **Marketing, Sponsorship & Business Development** | | **Human Resources** | |
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| David Allan Edwards | 12 | 11 | - | - | 2 | 2 |
| Kim Hanlon | 12 | 10 | 12 | 10 | - | - |
| Kenneth John Canfield | 12 | 10 | - | - | - | - |
| Simon Patrick Tuohey | 12 | 10 | - | - | - | - |
| Colleen Mary Condliffe | 12 | 12 | - | - | 2 | 1 |
| Linda Younghusband | 12 | 9 | 12 | 10 | - | - |
| Stewart Dean Luckman | 12 | 11 | 12 | 11 | - | - |
| Murray James Baud | 12 | 11 | - | - | 2 | 2 |
| George Arthur Wyatt | 12 | 10 | - | - | - | - |
| Thomas Samuel Jackson* | 8 | 5 | 8 | 5 | - | - |
| Prue Janelle Milgate** | 8 | 4 | - | - | - | - |

* *Leave of absence from 27 February 2019*

** *Appointed 27 November 2018*

# Directors' report (continued)

## 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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the board of directors at Inglewood, Victoria on 31 July 2019.

David Allan Edwards, Chairman

# Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

As lead auditor for the audit of Inglewood & Districts 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: 31 July 2019

**Joshua Griffin**
**Lead Auditor**

Taxation | Audit | Business Services

# Inglewood & Districts Community Enterprises Limited Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| Revenue from ordinary activities | 4 | 929,791 | 894,641 |
| Employee benefits expense | | (459,991) | (446,000) |
| Charitable donations, sponsorship, advertising and promotion | | (168,959) | (233,089) |
| Occupancy and associated costs | | (33,932) | (29,910) |
| Systems costs | | (20,873) | (19,024) |
| Depreciation and amortisation expense | 5 | (27,132) | (23,087) |
| General administration expenses | | (152,125) | (122,916) |
| Profit before income tax expense | | 66,779 | 20,615 |
| Income tax expense | 6 | (18,365) | (5,669) |
| Profit after income tax expense | | 48,414 | 14,946 |
| Total comprehensive income for the year attributable to the ordinary shareholders of the company: | | 48,414 | 14,946 |
| Earnings per share | | ¢ | ¢ |
| Basic earnings per share | 21 | 9.58 | 2.96 |

The accompanying notes form part of these financial statements.

# Inglewood & Districts Community Enterprises Limited
## Balance Sheet
as at 30 June 2019

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 226,983 | 219,913 |
| Trade and other receivables | 8 | 6,136 | 22,024 |
| Total current assets | | 233,119 | 241,937 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 131,751 | 105,964 |
| Intangible assets | 10 | 150,305 | 164,169 |
| Total non-current assets | | 282,056 | 270,133 |
| Total assets | | 515,175 | 512,070 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | 17,741 | 28,662 |
| Current tax liabilities | 11 | 15,868 | 843 |
| Total current liabilities | | 33,609 | 29,505 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 11 | 12,296 | 11,557 |
| Trade and other payables | 12 | 14,774 | 29,547 |
| Total non-current liabilities | | 27,070 | 41,104 |
| Total liabilities | | 60,679 | 70,609 |
| Net assets | | 454,496 | 441,461 |
| EQUITY | | | |
| Issued capital | 13 | 488,516 | 488,516 |
| Accumulated losses | 14 | (34,020) | (47,055) |
| Total equity | | 454,496 | 441,461 |

The accompanying notes form part of these financial statements.

# Inglewood & Districts Community Enterprises Limited
## Statement of Changes in Equity
for the year ended 30 June 2019

| | Notes | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2017 | | 488,516 | (31,676) | 456,840 |
| Total comprehensive income for the year | | - | 14,946 | 14,946 |
| Transactions with owners in their capacity as owners: | | | | |
| Shares issued during period | | - | - | - |
| Costs of issuing shares | | - | - | - |
| Dividends provided for or paid | 19 | - | (30,325) | (30,325) |
| **Balance at 30 June 2018** | | **488,516** | **(47,055)** | **441,461** |
| Balance at 1 July 2018 | | 488,516 | (47,055) | 441,461 |
| Total comprehensive income for the year | | - | 48,414 | 48,414 |
| Transactions with owners in their capacity as owners: | | | | |
| Shares issued during period | | - | - | - |
| Costs of issuing shares | | - | - | - |
| Dividends provided for or paid | 19 | - | (35,379) | (35,379) |
| **Balance at 30 June 2019** | | **488,516** | **(34,020)** | **454,496** |

The accompanying notes form part of these financial statements.

# Inglewood & Districts Community Enterprises Limited
## Statement of Cash Flows
for the year ended 30 June 2019

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 1,031,675 | 984,067 |
| Payments to suppliers and employees | | (932,431) | (937,884) |
| Interest received | | 7,027 | 4,927 |
| Income taxes paid/refunded | | (2,600) | 5,404 |
| **Net cash provided by operating activities** | 15 | 103,671 | 56,514 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (58,246) | (10,016) |
| Proceeds of property, plant and equipment | | 10,455 | - |
| Payments for intangible assets | | (13,431) | (15,669) |
| **Net cash used in investing activities** | | (61,222) | (25,685) |
| **Cash flows from financing activities** | | | |
| Dividends paid | 19 | (35,379) | (30,325) |
| **Net cash used in financing activities** | | (35,379) | (30,325) |
| **Net increase in cash held** | | 7,070 | 504 |
| Cash and cash equivalents at the beginning of the financial year | | 219,913 | 219,409 |
| **Cash and cash equivalents at the end of the financial year** | 7(a) | 226,983 | 219,913 |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

*Compliance with IFRS*

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

*Critical accounting estimates*

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

*Historical cost convention*

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

*Comparative figures*

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

*Application of new and amended accounting standards*

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

*AASB 15 Revenue from Contracts with Customers*

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

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

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

*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).

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

a) Basis of preparation *(continued)*

*AASB 9 Financial Instruments (continued)*

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. 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 $37,786.

*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 Inglewood, Victoria.

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

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

## a) Basis of preparation *(continued)*

*Economic dependency - Bendigo and Adelaide Bank Limited (continued)*

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

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

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

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

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

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

## b) Revenue

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

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

*Revenue calculation*

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

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

*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.

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

b) Revenue *(continued)*

*Margin*

Margin is arrived at through the following calculation:

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

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

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

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

*Commission*

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

*Fee income*

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

*Discretionary financial contributions*

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

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

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

*Ability to change financial return*

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

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

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.

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

### b) Revenue *(continued)*

*Ability to change financial return (continued)*

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

*Monitoring and changing financial return*

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

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

### c) Income tax

*Current tax*

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

*Deferred tax*

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

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

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

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

*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 on bargain purchase.

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

### 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 |
| - motor vehicles | 3 - 5 | years |

### 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.

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

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.

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.

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

k) Financial instruments *(continued)*

*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.

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.

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

### l) Leases

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

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

### m) Provisions

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

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

### n) Issued capital

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

### o) Earnings per share

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

### 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

*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.

## Note 2. Financial risk management *(continued)*

(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.

(vi) Capital management *(continued)*

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.

## 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.

*Goodwill*

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

The calculations require the use of assumptions.

*Impairment of assets*

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

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

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

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)

| Note 4. Revenue from ordinary activities | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Operating activities: | | |
| - gross margin | 636,003 | 637,866 |
| - services commissions | 204,063 | 164,262 |
| - fee income | 57,096 | 62,226 |
| - market development fund | 25,000 | 25,000 |
| Total revenue from operating activities | 922,162 | 889,354 |
| Non-operating activities: | | |
| - interest received | 7,027 | 4,927 |
| - other revenue | 602 | 360 |
| Total revenue from non-operating activities | 7,629 | 5,287 |
| Total revenues from ordinary activities | 929,791 | 894,641 |

| Note 5. Expenses | | |
|---|---|---|
| Depreciation of non-current assets: | | |
| - plant and equipment | 629 | 597 |
| - leasehold improvements | 4,151 | 4,098 |
| - motor vehicle | 8,488 | 4,528 |
| Amortisation of non-current assets: | | |
| - franchise fee | 2,310 | 2,310 |
| - franchise renewal fee | 11,554 | 11,554 |
| | 27,132 | 23,087 |
| Bad debts | 1,340 | 99 |
| Loss on disposal of asset | 8,736 | - |

| Note 6. Income tax expense | | |
|---|---|---|
| The components of tax expense comprise: | | |
| - Current tax | 17,626 | 2,215 |
| - Movement in deferred tax | 739 | 3,454 |
| | 18,365 | 5,669 |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows | | |
| Operating profit | 66,779 | 20,615 |
| Prima facie tax on loss from ordinary activities at 27.5% (2018: 27.5%) | 18,364 | 5,669 |
| Add tax effect of: | | |
| - non-deductible expenses | 2,403 | - |
| - timing difference expenses | (3,141) | (3,454) |
| | 17,626 | 2,215 |
| Movement in deferred tax | 739 | 3,454 |
| | 18,365 | 5,669 |

# Notes to the financial statements (continued)

| Note 7. Cash and cash equivalents | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | 26,983 | 19,913 |
| Term deposits | 200,000 | 200,000 |
| | 226,983 | 219,913 |

| Note 7.(a) Reconciliation to cash flow statement | 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: | | |
| Cash at bank and on hand | 26,983 | 19,913 |
| Term deposits | 200,000 | 200,000 |
| | 226,983 | 219,913 |

| Note 8. Trade and other receivables | | |
|---|---|---|
| Trade receivables | - | 17,035 |
| Prepayments | 3,704 | 4,858 |
| Other receivables and accruals | 2,432 | 131 |
| | 6,136 | 22,024 |

| Note 9. Property, plant and equipment | | |
|---|---|---|
| Leasehold improvements | | |
| At cost | 151,679 | 147,109 |
| Less accumulated depreciation | (79,795) | (75,644) |
| | 71,884 | 71,465 |
| Plant and equipment | | |
| At cost | 42,462 | 41,070 |
| Less accumulated depreciation | (27,917) | (27,288) |
| | 14,545 | 13,782 |
| Motor vehicles | | |
| At cost | 52,284 | 36,224 |
| Less accumulated depreciation | (6,962) | (15,507) |
| | 45,322 | 20,717 |
| Total written down amount | 131,751 | 105,964 |

| Note 9. Property, plant and equipment *(continued)* | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Movements in carrying amounts: | | |
| Leasehold improvements | | |
| Carrying amount at beginning | 71,465 | 75,563 |
| Additions | 4,570 | - |
| Disposals | - | - |
| Less: depreciation expense | (4,151) | (4,098) |
| Carrying amount at end | 71,884 | 71,465 |
| Plant and equipment | | |
| Carrying amount at beginning | 13,782 | 4,363 |
| Additions | 1,392 | 10,016 |
| Disposals | - | - |
| Less: depreciation expense | (629) | (597) |
| Carrying amount at end | 14,545 | 13,782 |
| Motor vehicles | | |
| Carrying amount at beginning | 20,717 | 25,245 |
| Additions | 52,284 | - |
| Disposals | (19,191) | - |
| Less: depreciation expense | (8,488) | (4,528) |
| Carrying amount at end | 45,322 | 20,717 |
| Total written down amount | 131,751 | 105,964 |

| Note 10. Intangible assets | | |
|---|---|---|
| Franchise fee | | |
| At cost | 32,746 | 32,746 |
| Less: accumulated amortisation | (26,361) | (24,051) |
| | 6,385 | 8,695 |
| Renewal processing fee | | |
| At cost | 113,729 | 113,729 |
| Less: accumulated amortisation | (81,809) | (70,255) |
| | 31,920 | 43,474 |
| Goodwill on purchase of agency | | |
| At cost | 112,000 | 112,000 |
| Total written down amount | 150,305 | 164,169 |

| Note 11. Tax | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Current: | | |
| Income tax payable | 15,868 | 843 |
| Non-current: | | |
| Deferred tax assets | | |
| - accruals | 798 | 770 |
| | 798 | 770 |
| Deferred tax liability | | |
| - accruals | 669 | 36 |
| - property, plant and equipment | 12,425 | 12,291 |
| | 13,094 | 12,327 |
| Net deferred tax liability | (12,296) | (11,557) |
| Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income | 739 | 3,455 |

| Note 12. Trade and other payables | | |
|---|---|---|
| Current: | | |
| Trade creditors | 3,984 | 5,340 |
| Other creditors and accruals | 13,757 | 23,322 |
| | 17,741 | 28,662 |
| Non-current: | | |
| Other creditors and accruals | 14,774 | 29,547 |

| Note 13. Issued capital | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| 505,412 ordinary shares fully paid (2018: 505,412) | 505,412 | 505,412 |
| Less: equity raising expenses | (16,896) | (16,896) |
| | 488,516 | 488,516 |

Note 13. Issued capital *(continued)*

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 298. As at the date of this report, the company had 311 shareholders.

## Note 13. Issued capital *(continued)*

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 14. Accumulated losses

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Balance at the beginning of the financial year | (47,055) | (31,676) |
| Net profit from ordinary activities after income tax | 48,414 | 14,946 |
| Dividends provided for or paid | (35,379) | (30,325) |
| Balance at the end of the financial year | (34,020) | (47,055) |

## Note 15. Statement of cash flows

| | | |
|---|---|---|
| Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities | | |
| Profit from ordinary activities after income tax | 48,414 | 14,946 |
| Non cash items: | | |
| - depreciation | 13,268 | 9,223 |
| - amortisation | 13,864 | 13,864 |
| - loss on disposal of asset | 8,736 | - |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | 15,887 | 5,844 |
| - (increase)/decrease in other assets | - | 6,776 |
| - increase/(decrease) in payables | (12,263) | 1,564 |
| - increase/(decrease) in current tax liabilities | 15,765 | 4,297 |
| Net cash flows provided by operating activities | 103,671 | 56,514 |

| Note 16. Leases | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| 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 | 12,262 | 12,000 |
| - between 12 months and 5 years | 24,524 | 37,000 |
| | 36,786 | 49,000 |

The property lease is linked to the Company's Franchise Agreement with Bendigo & Adelaide Bank Limited, the Franchise renewal was on 1 June 2017 with no extension options available. Lease expires 31 May 2022.

| Note 17. Auditor's remuneration | | |
|---|---|---|
| Amounts received or due and receivable by the auditor of the company for: | | |
| - audit and review services | 4,600 | 4,400 |
| - share registry services | 3,821 | 3,485 |
| - non audit services | 2,000 | 2,000 |
| | 10,421 | 9,885 |

## Note 18. Director and related party disclosures

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

| Transactions with related parties: | 2019 | 2018 |
|---|---|---|
| Kim Hanlon is remunerated $822 per month for Company Secretary duties | 9,042 | 9,042 |

Stewart Dean Luckman is emplyoyed by Bendigo and Adelaide Bank Limited and is seconded to the Inglewood and Districts Community Bank

No other director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

| Directors Shareholdings | 2019 | 2018 |
|---|---|---|
| David Allan Edwards | 7,500 | 500 |
| Kim Hanlon | 500 | - |
| Kenneth John Canfield | 1,001 | - |
| Simon Patrick Tuohey | 2,501 | 2,501 |
| Colleen Mary Condliffe | 501 | 501 |
| Linda Younghusband | 500 | 500 |
| Stewart Dean Luckman | - | - |
| Murray James Baud | 5,000 | 5,000 |
| George Arthur Wyatt | 19,001 | 19,001 |
| Thomas Samuel Jackson | - | - |
| Prue Janelle Milgate *(Appointed 27 November 2018)* | 125 | - |

| Note 19. Dividends provided for or paid | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| *a. Dividends paid during the year* | | |
| Current year dividend | | |
| 100% (2018: 100%) unfranked dividend - 7 cents (2018: 6 cents) per share | 35,379 | 30,325 |

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

| | | |
|---|---|---|
| *b. Franking account balance* | | |
| Franking credits available for subsequent reporting periods are: | | |
| - franking account balance as at the end of the financial year | 6,256 | 3,655 |
| - franking credits that will arise from payment of income tax as at the end of the financial year | 15,868 | 2,802 |
| - franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year | - | - |
| Franking credits available for future financial reporting periods: | 22,124 | 6,457 |
| - franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period | - | - |
| Net franking credits available | 22,124 | 6,457 |

## Note 20. Key management personnel disclosures

For the year ended 30 June 2019 the directors received total remuneration including superannuation, as follows:

| | | |
|---|---|---|
| Director, Kim Hanlon is contracted to the Board to perform the role as Executive Officer. Her services are provide a hourly rate agreed with the Board, hours and times of service varies in accordance with the requirements needed to fulfil her role. During the financial year Kim invoiced the company. | 9,042 | 9,042 |

Stewart Dean Luckman is emplyoyed by Bendigo and Adelaide Bank Limited and is seconded to the Inglewood and Districts Community Bank

## Note 21. Earnings per share

| | | |
|---|---|---|
| (a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share | 48,414 | 14,946 |
| | Number | Number |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 505,412 | 505,412 |

## Note 22. 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 23. 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 24. Segment reporting

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

## Note 25. 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 |
|---|---|
| 64 Brooke Street<br>Inglewood VIC 3517 | 64 Brooke Street<br>Inglewood VIC 3517 |

## Note 26. 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: 1 year or less | | Over 1 to 5 years | | Over 5 years | | Non interest bearing | | Weighted average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 $ | 2018 $ | 2019 $ | 2018 $ | 2019 $ | 2018 $ | 2019 $ | 2018 $ | 2019 $ | 2018 $ | 2019 % | 2018 % |
| **Financial assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 26,883 | 19,813 | 200,000 | 200,000 | - | - | - | - | 100 | 100 | 2.99 | 1.82 |
| Receivables | - | - | - | - | - | - | - | - | - | 17,035 | N/A | N/A |
| **Financial liabilities** | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | 3,984 | 5,340 | N/A | N/A |

*Net Fair Values*

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

*Credit Risk*

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

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

*Interest Rate Risk*

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

*Sensitivity Analysis*

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

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

| | 2019 $ | 2018 $ |
|---|---|---|
| Change in profit/(loss) | | |
| Increase in interest rate by 1% | 2,269 | 2,198 |
| Decrease in interest rate by 1% | (2,269) | (2,198) |
| Change in equity | | |
| Increase in interest rate by 1% | 2,269 | 2,198 |
| Decrease in interest rate by 1% | (2,269) | (2,198) |

# Directors' declaration

In accordance with a resolution of the directors of Inglewood & Districts 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.

David Allan Edwards, Chairman

Signed on the 31st of July 2019.

# Independent audit report

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
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## Independent auditor's report to the members of Inglewood & Districts Community Enterprises Limited

### Report on the audit of the financial report

**Our opinion**
In our opinion, the accompanying financial report of Inglewood & Districts 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**
Inglewood & Districts 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.

**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: 31 July 2019

**Joshua Griffin**
**Lead Auditor**

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