Knox Community Financial Services Limited

ABN 88 093 823 708

2019 Annual Report

Fern Tree Gully Community Bank Branch
Rowville Community Bank Branch
Caribbean Park Business Centre (cashless) branch

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Chairman’s report

For year ending 30 June 2019

I am pleased to report that despite all the negativity around the banking sector your company, Knox Community Financial Services Ltd, has maintained its footings, revenue and dividend results. The ongoing royal commission, along with the sector’s squeeze on credit made the 2018-19 year a challenge for both the Board and staff.

Expenses are up overall as we take in the full effect of adding the Caribbean site to our operations.

To confirm we are now operating from 3 business locations:

- Ferntree Gully Community Bank Branch
- Rowville Community Bank Branch
- Caribbean Park Business Centre.

The Community Grants award night was, as always, one of the highlights for the year, and provides real evidence of the value to community that the Bendigo Bank Community Bank model provides. Some $60,000 was distributed across 24 community partners on the night with fantastic feedback from all who attended.

We remain very well placed to take the company forward. Your Board remains focused on the strategic plan, and continues to review the company structure and way to market. This will align with the changes that our Franchise partner, Bendigo and Adelaide Bank Limited, is also undertaking.

Your Directors have recommended 15 cents per share dividend to be paid for the 2018/19 financial year.

We must thank all that come together to make our Community Bank network what it is.

To our staff lead by our Senior Managers in Mick Spruhan, Senior Bank Manager, and Tina Leslie, Business Manager, along with our branch and mobile staff. Together they are the face of our company and hold the values of community spirit at their core. On behalf of the Board, I wish to thank and acknowledge all staff for their efforts over the whole year.

To our partners at Bendigo and Adelaide Bank Limited. The whole Community Bank model relies on Bendigo’s support. Again this year I wish to thank our two key Bendigo and Adelaide Bank Limited partners:

- Gabriella Butler - Regional Community Manager, and
- Marisa Dickins - Regional Manager.

Bendigo and Adelaide Bank Limited itself has been going through structural change resulting in Gab taking on a Wealth Management role, and Marisa taking on the challenge of State Manager – Metro. We thank both and look forward to working with them in their new roles.

For the 2019/20 year we welcome our new support team from Bendigo in:

- Tania Hansen – Community Business Manager
- Mark Nolan – Community Business Manager
- Chris Cahir – Regional Manager I Melbourne Outer Eastern Region.

We also pass on our thanks to all Bendigo and Adelaide Bank Limited regional and corporate staff for their ongoing support.

To our Board of Directors, I wish to thank all for your ongoing unity and support. The time and effort required on all can be a challenge, however the impact we can make on our local community makes it all worthwhile.

To our shareholders, thank you for your ongoing to support of the Community Bank model.

Finally, to all account holders, large and small. It does not matter. Every one of you together add up to make our Community Bank branches successful and a real asset to the communities of Knox.

Etienne Clauw
Chair

Senior Manager’s report

For year ending 30 June 2019

As you would all no doubt be aware, across the banking industry, 2019 was a very challenging year for one reason or another.

Our group experienced a tough year as well but some of the initiatives we have put in place we believe will hold as in good stead in the coming years. In 2019 our overall balances decreased.

Under our initiatives banner, we have had our “cashless branch” at Caribbean Park Business Centre complete its first full year of being open. We have also employed an additional Mobile Lender based from Caribbean to tap into the ever-growing businesses being established there. This is and will continue to be a slow process, but we are beginning to see some results from our presence there.

Our presence at Caribbean is part of a three-year plan and as the Business Park grows, we are making sure our name is out in front of the businesses moving into the Centre.

We have also continued to develop our initiative with some local sporting clubs to assist them in gaining access to funds for ‘Big Ticket’ items in return for business gained. This again is getting our name in front of a market that perhaps normally would not be considering Bendigo Bank as an option. This scheme is run over a limited period of time (so no one at the club involved gets tired of constant contact) and is driven by SMS, news articles, club videos, direct contact and a respected member of the club taking ownership of the campaign.

My heartfelt thanks go to our staff who I believe provide a level of service that customers want and appreciate receiving judging by the number of compliments that each site receives. The success of our business would not be possible without their efforts.

Thanks also go to Etienne and the Board members for their efforts, support and drive.

In 2020, we will be continuing to drive our business forward and your part in this is recommending family and friends to come and experience our service and what Bendigo Bank has to offer. Your support is vitally important to our success and our ability to make a difference in our community.

Mick Spruhan
Senior Manager

Finance report

For year ending 30 June 2019

It has been an extremely hard year for our business, you will notice that profit after tax has reduced by 8.6% to $287,728

There were several mitigating circumstances that contributed to the reduction in profit:

Caribbean

We have had our first full year in the Caribbean centre, our operating loss on this venture for the 2018/19 year was $115,118, we also had capital costs of $65,522 for the office fit out that doesn't effect our profit, however it was a cost to our reserves.

This was within our budget for the centre, as you will all remember it took several years for our Rowville branch to become profitable, this will be the case with Caribbean as the centre is still in its infancy.

Income

This has been lower than last year, as you will note we did not grow our business as we would have expected, also during the year our rate we earn from Bendigo Bank has varied, we have gone from a high of 1.04% on loans to a low of 0.91%, deposits had a high of 1.361% to a low of 0.975%.

Our income is calculated monthly, the variances can have a large impact on our monthly income, when we are at our lows it can mean a difference of $12,300 less in income for that month compared to the highs.

In these times of low interest rates, we have to consider the needs of both borrowers and depositors along with the cost of funds to run our businesses. This is challenging and does not appear to be changing in the near future.

As a board we monitor our financial situation on a minimum monthly. We look at what trends are appearing, both short and long term, and put in place in policies to address areas that are of concern to us.

We have an annual budget in place and regularly meet with the Managers of our business to gain their input and listen to what may assist them to promote our bank.

Although we had a reduction in profit, we have been able to keep our dividend to the shareholders the same.

Our business remains robust, with sufficient funds available.

John Surridge
Finance Director

Directors' report

For the financial year ended 30 June 2019

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

Directors

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

Directors	Details
Etienne Clauw	Chairman
	Etienne holds a Bachelor of Engineering (Elec). Etienne is the Chair of the Marketing committee.
John Surridge	Secretary Finance
	John holds a Diploma of Management, Diploma of Retail Management and Graduate Certificate in Management
Phillip Reibelt	Human Resources
	Phillip has worked in Workforce Management for several years.
Anthony Holland	Deputy Chair
	Anthony holds a Certificate IV in property and is a current director of Officer Real Estate Pty Ltd
Desmond Higginbotham	Deputy Chair
	Desmond has a Bachelor of Commerce, Dip Ed and Grad DIP Sec ST. Desmond is also a current Director of Lyndee Properties
Richard Best	Governance
	Former Solicitor
Hurtle Lupton	Appointed 3rd October 2018
	Hurtle is a former chairman of Knox Community Financial Services. Hurtle was a member of Parliament, Deputy speaker of the Victorian Legislative Assemply and Mayor of Knox City Council on 3 occassions. He is also a former director of Glengollan Retirment and Aged Care Village. Hurtle has a Certificate of Business Studies, EDP.
Coral Page	Appointed 8th October 2018
	Coral is Principal of Knox Taxation & Business Advisory. Coral is a Fellow of Institute of Public Accountants, Registered Tax Agent and holds a Graduate in Accounting, UNE. She has expertise in Tax accounting and SME advisory.
Eve John	Apponted 24th November 2018
	Eve is a marketing strategist and copywriter for Australia's most successful and influential brands, products and entrepreneurs. Eve has developed a knowledge of buyer behaviour and consumer psychology. Eve, has a Bachelor of Adult Learning and Development, also Diploma and Cerificate in Training and Assessment and Business development.

Directors (continued)

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Etienne Clauw	8	11
John Surridge	9	11
Phillip Reibelt	9	11
Anthony Holland	7	11
Desmond Higginbotham	11	11
Richard Best	8	11
Hurtle Lupton	7	8
Coral Page	5	8
Eve John	6	7

A - The number of meetings attended.
B - The number of meetings eligible to attend.

Company Secretary

John Surridge has been the Company Secretary of Knox Community Financial Services Limited since 2016. John's qualifications and experience include Diploma of Management, Diploma of Retail Management and a Graduate Certificate in Management.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $287,728 (2018 profit: $358,062), which is a 8.9% decrease as compared with the previous year.

Dividends

A fully franked final dividend of 15 cents per share $117,113 was declared and paid during the year for the year ended 30 June 2019. No dividend has been declared or paid for the year ended 30 June 2020 as yet.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 8 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Ferntree Gully on 11 September 2019.

John Surridge
Director

Auditor’s independence declaration

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

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors Knox Community Financial Services Limited

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

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 11 September 2019

Financial statements

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

	Note	2019 $	2018 $
Revenue	2	2,355,388	2,347,001
Expenses			
Employee benefits expense	3	(1,339,174)	(1,224,892)
Depreciation and amortisation	3	(53,340)	(43,632)
Bad and doubtful debts expense	3	(867)	(1,011)
Occupancy expenses		(173,187)	(151,352)
IT expenses		(50,250)	(45,368)
Advertising expenses		(72,913)	(53,531)
Professional Fees		(29,741)	(28,127)
Other expenses from ordinary activities		(147,800)	(162,462)
		(1,867,272)	**(1,710,375)**
Operating profit before charitable donations & sponsorship		**488,116**	**636,626**
Charitable donations and sponsorships		(91,250)	(141,211)
Profit before income tax		**396,866**	**495,415**
Income tax expense		(109,138)	(137,353)
Profit for the year after income tax		**287,728**	**358,062**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings		-	603,496
Income tax on items that will not be reclassified to profit or loss		(8,066)	(165,961)
Available for sale financial assets		27,211	(11,123)
Items that may be reclassified to proit or loss			
Income tax on items that may be reclassified to profit or loss			3,059
Other comprehensive income for the period, net of tax		**19,145**	**429,471**
Total comprehensive income for the year		**306,873**	**787,533**
Profit attributable to members of the company		306,873	787,533
Total comprehensive income attributable to members of the company		**306,873**	**787,533**

	Note	2019	2018
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	36.85	45.86

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

Statement of Financial Position
as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	1,028,970	851,507
Trade and other receivables	6	189,717	201,130
Financial assets	7	634,934	588,295
Total current assets		**1,853,621**	**1,640,932**
Non-current assets			
Property, plant and equipment	8	1,476,142	1,431,138
Intangible assets	9	18,959	42,702
Total non-current assets		**1,495,101**	**1,473,840**
Total assets		**3,348,722**	**3,114,772**
Liabilities			
Current liabilities			
Trade and other payables	11	123,173	124,175
Current tax liability	4	10,014	1,015
Provisions	12	193,701	154,971
Total current liabilities		**326,888**	**280,161**
Non-current liabilities			
Provisions	12	13,149	24,490
Deferred tax liability	4	101,735	92,931
Total non-current liabilities		**114,884**	**117,421**
Total liabilities		**441,772**	**397,582**
Net assets		**2,906,950**	**2,717,190**
Equity			
Issued capital	13	780,750	780,750
Retained earnings	14	1,677,584	1,506,969
Reserves	16	448,616	429,471
Total equity		**2,906,950**	**2,717,190**

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

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

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2018		780,750	1,506,969	429,471	2,717,190
Comprehensive income for the year					
Profit for the year		-	287,728	-	287,728
Other comprehensive income for the year		-	-	19,145	19,145
		-	**287,728**	**19,145**	**306,873**
Transactions with owners in their capacity as owners					
Dividends paid or provided	15	-	(117,113)	-	(117,113)
Balance at 30 June 2019		**780,750**	**1,677,584**	**448,616**	**2,906,950**
Balance at 1 July 2017		780,750	1,266,020	-	2,046,770
Comprehensive income for the year					
Profit for the year		-	358,062	-	358,062
Other comprehensive income for the year		-	-	429,471	429,471
		-	**358,062**	**429,471**	**787,533**
Transactions with owners in their capacity as owners					
Dividends paid or provided	15	-	(117,113)	-	(117,113)
Balance at 30 June 2018		**780,750**	**1,506,969**	**429,471**	**2,717,190**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,531,043	2,532,038
Payments to suppliers and employees		(2,091,957)	(2,044,720)
Dividends received		45,446	28,479
Interest received		3,475	3,293
Income tax paid		(99,338)	(185,997)
Net cash flows provided by operating activities	**18b**	**388,669**	**333,093**
Cash flows from investing activities			
Proceeds from sale of investments		-	2,079
Purchase of property, plant and equipment		(74,601)	(3,520)
Purchase of investments		(19,492)	(1,493)
Net cash flows used in investing activities		**(94,093)**	**(2,934)**
Cash flows from financing activities			
Dividends paid		(117,113)	(117,113)
Net cash flows used in financing activities		**(117,113)**	**(117,113)**
Net increase in cash held		**177,463**	**213,046**
Cash and cash equivalents at beginning of financial year		851,507	638,461
Cash and cash equivalents at end of financial year	**18a**	**1,028,970**	**851,507**

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

Notes to the financial statements

For year ended 30 June 2019

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

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

The financial statements were authorised for issue by the Directors on 11 September 2019.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branches at Ferntree Gully & Rowville.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the Community Bank branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

Employee benefits provision

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

Note 1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Income tax

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

Impairment

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

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

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

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

AASB 15 Revenue from Contracts with Customers

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

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

AASB 9 Financial Instruments

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

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

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

The adoption of AASB 9 has mostly impacted the following area:

The classification and measurement of the entity's equity investments in listed entities - the entity holds financial assets to hold and collect the associated cash flows. The majority of investments were previously classified as available-for-sale (AFS) investments under AASB 139. The entity chose to make the irrevocable election to transition to classify these investments as fair value through other comprehensive income (FVTOCI) as permitted by AASB 9.

Note 1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods

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

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

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

AASB 16:

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

The standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $0. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit and classification of cash flows.

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

(h) Change in accounting policies

Revenue

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

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

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

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

a) when the entity has a right to receive the income and it can be reliably measured; or

b) upon receipt.

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

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

a) Financial assets at amortised cost

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

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

Financial assets at amortised cost

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

Financial assets at fair value through other comprehensive income

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

Impairment of financial assets

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

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

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Impairment of financial assets (continued)

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

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

Classification and measurement of financial liabilities

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

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

Reconciliation of financial instruments on adoption of AASB 9

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

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	-	-
Term deposits	Held to maturity	Amortised cost	-	-
Listed shares	Held to maturity / Available for sale	FVTPL / FVTOCI	-	-
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	-	-
Borrowings	Amortised cost	Amortised cost	-	-

The effect of classification changes arising from transitioning from AASB 139 to AASB 9 are shown below:

	AFS Reserve ($)	FVTOCI Reserve ($)
Opening balance under AASB 139	(8,066.00)	-
Reclassified from AFS to FVTPL	-	-
Reclassified from AFS to Equity FVTOCI	8,066.00	(8,066.00)
Reclassified from HTM to Equity FVTPL	-	-
Opening balance under AASB 9	-	(8,066.00)

	2019 $	2018 $

Note 2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	2,289,096	2,286,931
	2,289,096	**2,286,931**
Other revenue		
- interest received	3,475	3,293
- dividends received	45,445	40,741
- other revenue	17,372	16,036
	66,292	**60,070**
Total revenue	**2,355,388**	**2,347,001**

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

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

Interest, dividend and other income

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

Dividend and other revenue is recognised when the right to the income has been established.

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

Rendering of services

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

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as ‘core banking products’, however it also reserves the right to change the products and services identified as ‘core banking products’, providing 30 days notice is given.

Margin

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

Commission

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

Note 2. Revenue (continued)

Rendering of services (continued)

Fee Income

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

Discretionary Financial Contributions

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

Form and Amount of Financial Return

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

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

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

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

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

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

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company’s share of Bendigo and Adelaide Bank Limited’s margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited’s margin on core banking products attributed to the company’s retail branch operation; and

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

	2019 $	2018 $

Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	1,105,859	1,011,446
- superannuation costs	117,839	108,821
- other costs	115,476	104,625
	1,339,174	**1,224,892**
Depreciation and amortisation		
Depreciation		
- buildings	16,775	6,640
- leasehold improvements	9,251	8,666
- plant and equipment	3,571	4,583
	29,597	**19,889**
Amortisation		
- franchise fees	23,743	23,743
Total depreciation and amortisation	**53,340**	**43,632**
Bad and doubtful debts expenses	867	1,011
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,700	5,590
	5,700	**5,590**

Operating expenses

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

Depreciation and amortisation

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

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

Class of asset	Rate	Method
Buildings	2.50%	Straight line
Building improvements	2.50%	Straight line
Plant and equipment	3.8%-66.7%	Diminishing value
Franchise Fees	20.00%	Straight line

Note 4. Income tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	107,800	118,876
Deferred tax expense	8,804	18,477
Deferred tax recongnised in other comprehensive income	(7,466)	-
	109,138	**137,353**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities		
before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	109,138	136,239
Add tax effect of:		
- Other adjustments	-	1,114
Income tax attributable to the entity	**109,138**	**137,353**
The applicable weighted average effective tax rate is:	-27.50%	-27.72%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	1,015	80,398
Income tax paid	(86,272)	(185,997)
Current tax	107,800	118,876
Franking credit offset	(12,529)	(12,262)
	10,014	**1,015**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Employee provisions	56,884	49,352
Investments at fair value	-	3,055
	56,884	**52,407**
Deferred tax liabilities comprise:		
Property, plant & equipment	154,208	145,338
Investments at fair value	4,411	
	158,619	**145,338**
Net deferred tax asset	**(101,735)**	**(92,931)**
Total carried forward tax losses not recognised as deferred tax assets:	-	-

Note 4. Income tax (continued)

	2019 $	2018 $
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(4,477)	36,045
(Decrease) / increase in deferred tax liabilities	13,281	145,338
Deferred tax expenses recongnised directly in equity	(7,466)	(162,906)
	1,338	**18,477**

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

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

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

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

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

Note 5. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	1,028,970	851,507
	1,028,970	**851,507**

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

Note 6. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	189,217	200,630
Other receivables	500	500
	189,717	**201,130**

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

Note 6. Trade and other receivables (continued)

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

Credit risk

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

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

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

	Gross amount $	Not past due $
2019		
Trade receivables	189,217	189,217
Other receivables	500	500
Total	**189,717**	**189,717**
2018		
Trade receivables	200,630	200,630
Other receivables	500	500
Total	**201,130**	**201,130**

Note 7. Financial assets

	2019 $	2018 $
Financial assets at fair value through OCI		
Listed investments	634,934	588,295
	634,934	**588,295**

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- financial assets at amortised cost
- financial assets at fair value through OCI

Note 7. Financial assets (continued)

(a) Classification of financial assets (continued)

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

(b) Measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

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

(c) Impairment of financial assets

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

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

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

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

Note 7. Financial assets (continued)

(d) Derecognition

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

Note 8. Property, plant and equipment

	2019 $			2018 $		
	At cost / valuation	**Accumulated depreciation**	**Written down value**	**At cost / valuation**	**Accumulated depreciation**	**Written down value**
Land & Buildings - at fair value	1,100,000	(23,415)	1,076,585	1,100,000	(6,640)	1,093,360
Building improvements - at cost	409,520	(41,411)	368,109	349,954	(32,160)	317,794
Plant and equipment - at cost	235,008	(203,560)	31,448	219,973	(199,989)	19,984
Total property, plant and equipment	**1,744,528**	**(268,386)**	**1,476,142**	**1,669,927**	**(238,789)**	**1,431,138**

Land and buildings

Freehold land and buildings are carried at their fair value (refer note 1(e)), based on periodic, but at least triennial valuations by a external independent valuers, less accumulated depreciation for buildings.

Land and builders were revalued on 1 July 2017 by an independent valuer, Killen and Thomas (Aust) Pty Ltd.

Increases in the carrying amount arising on revaluation of land and builodings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity: all other decreases are recognised in profit and loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

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

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

Note 8. Property, plant and equipment (continued)

Plant and equipment (continued)

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

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

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

(a) Capital expenditure commitments

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

(b) Movements in carrying amounts of PP&E

2019	Opening written down value	Additions	Revaluations	Transfers	Depreciation	Closing written down value
Land & Buildings	1,093,360	-	-	-	(16,775)	1,076,585
Bulding improvements	317,794	59,566	-	-	(9,251)	368,109
Plant and equipment	19,984	15,035	-	-	(3,571)	31,448
Total property, plant and equipment	**1,431,138**	**74,601**	**-**	**-**	**(29,597)**	**1,476,142**

2018	Opening written down value	Additions	Revaluations	Transfers	Depreciation	Closing written down value
Land & Buildings - at fair value	480,323	-	603,496	16,181	(6,640)	1,093,360
Building improvements	339,121	3,520	-	(16,181)	(8,666)	317,794
Plant and equipment	24,567	-	-	-	(4,583)	19,984
Total property, plant and equipment	**844,011**	**3,520**	**603,496**	**-**	**(19,889)**	**1,431,138**

Note 9. Intangible assets

	2019 $			2018 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	118,713	(99,754)	18,959	118,713	(76,011)	42,702
Total intangible assets	**118,713**	**(99,754)**	**18,959**	**118,713**	**(76,011)**	**42,702**

Note 9. Intangible assets (continued)

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

Movements in carrying amounts

2019	Opening written down value	Amortisation	Closing written down value
Franchise fees	42,702	(23,743)	18,959
Total intangible assets	**42,702**	**(23,743)**	**18,959**

2018	Opening written down value	Amortisation	Closing written down value
Franchise fees	66,445	(23,743)	42,702
Total intangible assets	**66,445**	**(23,743)**	**42,702**

Note 10. Financial liabilities

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

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

Note 11. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Other creditors and accruals	123,173	124,175
	123,173	**124,175**

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

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

	2019 $	2018 $
Note 12. Provisions		
Current		
Employee benefits	193,701	154,971
Non-current		
Employee benefits	13,149	24,490
Total provisions	**206,850**	**179,461**

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

	2019 $	2018 $
Note 13. Share capital		
780,750 Ordinary shares fully paid	780,750	780,750
	780,750	**780,750**

Ordinary shares are classified as equity.

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

Note 13. Share capital (continued)

(a) Movements in share capital

	2019 $	2018 $
Fully paid ordinary shares:		
At the beginning of the reporting period	780,750	780,750
Shares issued during the year	-	-
At the end of the reporting period	**780,750**	**780,750**

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

(b) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

Note 14. Retained earnings

	2019 $	2018 $
Balance at the beginning of the reporting period	1,506,969	1,266,020
Profit for the year after income tax	287,728	358,062
Dividends paid	(117,113)	(117,113)
Balance at the end of the reporting period	**1,677,584**	**1,506,969**

	2019 $	2018 $

Note 15. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 15 cents per share (2018: 15 cents) franked at the tax rate of 27.5% (2018: 27.5%).	117,113	117,113

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

	2019 $	2018 $

Note 16. Reserves

Asset revaluation reserve		
Balance at the beginning of the reporting period	437,535	-
Fair value movements during the period	-	437,535
Balance at the end of the reporting period	**437,535**	**437,535**
Available for sale reserve		
Balance at the beginning of the reporting period		
Fair value movements during the period	(8,066)	(8,064)
Transfer on adoption of AASB 9	(8,064)	-
Financial asset at FUTOCI Reserve		
Balance at the beginning of the reporting period		
Transfer on adoption of AASB 9	27,211	
Balance at the end of the reporting period	**11,081**	**(8,064)**
Total Reserves	**448,616**	**429,471**

The asset revaluation reserve represents undistributable gains recognised on the revaluation of land and buildings. The available for sale reserve represents undistributable gains recongnised on the revaluation of financial assets classified as available for sale

	2019 $	2018 $

Note 17. Earnings per share

Basic earnings per share (cents)	36.85	45.86
Earnings used in calculating basic earnings per share	287,728	358,062
Weighted average number of ordinary shares used in calculating basic earnings per share	780,750	780,750

Note 17. Earnings per share (continued)

Basic earnings per share

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

Note 18. Statement of cash flows

	2019 $	2018 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	1,028,970	851,507
As per the Statement of Cash Flow	**1,028,970**	**851,507**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	287,728	358,062
Non-cash flows in profit		
- Depreciation and amortisation	53,340	43,632
- Bad debts	-	1,011
- Fair Value Tax Equity Movements	(8,002)	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	11,413	(1,226)
- (Increase) / decrease in deferred tax asset	8,804	18,477
- Increase / (decrease) in trade and other payables	(1,002)	17,316
- Increase / (decrease) in current tax liability	8,999	(79,383)
- Increase / (decrease) in provisions	27,389	(24,796)
Net cash flows from operating activities	**388,669**	**333,093**

(c) Credit standby arrangement and loan facilities

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

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

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

	2019 $	2018 $
Short-term employee benefits	38,438	40,546
Total key management personnel compensation	**38,438**	**40,546**

Short-term employee benefits

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

During the year, there was no purchased goods and services under normal terms and conditions, from related parties.

The Knox Community Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. Payments made to directors for their services are detailed below.

	2019	2018
Etienne Clauw	10,000	7,598
John Surridge	5,000	3,366
Phillip Reibelt	5,000	3,802
Anthony Holland	3,750	3,177
Desmond Higginbotham	3,750	3,177
Richard Best	3,750	2,188
Hurtle Lupton	2,500	-
Coral Page	2,500	-
Eve John	2,188	-
	38,438	**23,308**

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

(d) Key management personnel shareholdings

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

	2019	2018
Etienne Clauw	-	-
John Surridge	1,000	1,000
Phillip Reibelt	-	-
Anthony Holland	500	500
Desmond Higginbotham	1,000	1,000
Richard Best	-	-
Hurtle Lupton	6,000	-
Coral Page	-	-
Eve John	-	-
	8,500	**2,500**

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

(e) Other key management transactions

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

Note 20. Events after the reporting period

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

Note 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two areas being Ferntree Gully and Rowville, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2018: 98%).

	2019 $	2018 $

Note 23. Commitments

	2019 $	2018 $
Operating lease commitments		
Payable:		
- no later than 12 months	68,930	67,579
- between 12 months and five years	289,788	284,106
- greater than five years	127,398	124,900
Minimum lease payments	**486,116**	**476,585**

The property lease is a non-cancellable lease with a ten year term, with rent payable monthly in advance and with 4% increases each year.

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

Note 24. Company details

The registered office and principal place of business is 65-67 Station Street, Ferntree Gully VIC 3156.

Note 25. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management

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

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

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	1,028,970	851,507
Trade and other receivables	6	189,717	201,130
Financial assets	7	634,934	588,295
Total financial assets		**1,853,621**	**1,640,932**

Note 25. Financial instrument risk (continued)

Specific financial risk exposure and management (continued)

	Note	2019 $	2018 $
Financial liabilities			
Trade and other payables	11	123,173	124,175
Total financial liabilities		**123,173**	**124,175**

(a) Credit risk

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

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

Credit risk exposures

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

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

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

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

(b) Liquidity risk

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

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

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

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

Note 25. Financial instrument risk (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $
Financial assets			
Cash and cash equivalents	0.36%	1,028,970	1,028,970
Trade and other receivables		189,717	189,717
Financial assets		634,934	634,934
Total anticipated inflows		**1,853,621**	**1,853,621**
Financial liabilities			
Trade and other payables		123,173	123,173
Total expected outflows		**123,173**	**123,173**
Net inflow / (outflow) on financial instruments		**1,730,448**	**1,730,448**

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $
Financial assets			
Cash and cash equivalents	0.39%	851,507	851,507
Trade and other receivables		201,130	201,130
Financial assets		588,295	588,295
Total anticipated inflows		**1,640,932**	**1,640,932**
Financial liabilities			
Trade and other payables		124,175	124,175
Total expected outflows		124,175	124,175
Net inflow / (outflow) on financial instruments		**1,516,757**	**1,516,757**

(c) Market risk

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

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

Interest rate risk

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

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

Note 25. Financial instrument risk (continued)

(c) Market risk (continued)

Other price risk

The company is exposed to other price risk on its listed investment carried at fair value, whereby a change in share prices will affect the fair value of the financial instruments.

Sensitivity analysis

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

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

	2019		2018	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	10,290	10,290	8,515	8,515
+/- 10% in equity prices	4,462	4,462	4,265	4,265
	14,752	**14,752**	**12,780**	**12,780**

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

Note 26. Fair value measurements

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- freehold land and buildings
- listed investments

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

Note 26. Fair value measurements (continued)

(a) Fair value hierarchy

AASB 13: Fair value measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Measurements based on unobservable inputs for the asset or liability.

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	30 June 2019			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements				
Non-financial assets				
Land & Buildings	-	1,076,585	-	1,076,585
Total non-financial assets recognised at fair value	**-**	**1,076,585**	**-**	**1,076,585**
Financial assets				
Listed investments	615,442	-	-	615,442
Total financial assets recognised at fair value	**615,442**	**-**	**-**	**615,442**

	30 June 2018			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements				
Non-financial assets				
Land & Buildings	-	1,093,360	-	1,093,360
Total non-financial assets recognised at fair value	**-**	**1,093,360**	**-**	**1,093,360**
Financial assets				
Listed investments	588,295	-	-	588,295
Total financial assets recognised at fair value	**588,295**	**-**	**-**	**588,295**

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2018: no transfers).

Note 26. Fair value measurements (continued)

(b) Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2019 $	Description of valuation techniques	Inputs used
Land & Buildings	1,076,585	The fair values of the land and buildings are estimted using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties	Rental yields between $200 and $500 per week. Capitalisation rate of 5%.

The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

Directors’ declaration

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

1. The financial statements and notes, as set out on pages 6 to 40 are in accordance with the *Corporations Act 2001* and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company’s financial position as at 30 June 2019 and of the performance for the year ended on that date;

2. In the Directors’ opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

John Surridge
Director

Signed at Ferntree Gully on 11th September 2019.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KNOX COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion the financial report of Knox Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

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

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

Director's Responsibility for the Financial Report

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other Information

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

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 11 September 2019

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