Lara District Community Enterprise Limited

ABN 67 134 347 087

2019 Annual Report

Lara District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2019

It is with great pleasure I present this report as Chairman of the Lara District Community Enterprise Limited Board.

The year culminated on celebrating our 10th Birthday on 30 June 2019. The anniversary provided us with the opportunity to reflect back on everything we have achieved together as a **Community Bank**® branch. Not only have we provided a great banking service we have committed in excess of $1 million back into the Lara, Little River and Anakie communities. In total we have supported over 84 groups during this period.

For the year we supported 27 groups. The support has enabled every one of those groups to do what they do best. Be it getting a group of children participating in sport, supporting a local school with resources to improve reading skills, or the local RSL improving it's facilities to better serve their members – every one of those groups have helped strengthen our community.

During the year we paid a fully franked dividend of $0.07 cents per share to the shareholders who support our **Community Bank**® branch.

Total banking business at the end of the year was $163 million which was an increase on last years result of $155 million in what has been rapidly changing banking conditions.

With the planned growth of our urban area, a key focus of the Board and staff over the upcoming year will be looking at ways of attracting an increased share of the banking business to our **Community Bank**® branch. This is important to enable us to provide support to the many groups in our region who will have increased demand for the services they provide. Telling our story is an area where shareholders can support us by talking to people they know who are coming to our region. Most people moving to Lara do not come from an area supported by a **Community Bank**® branch and therefore do not appreciate what we can achieve together.

Lara locals will have noticed the new shared pathway linking Station Lake Road through to Flinders Avenue. This joint project with the City of Greater Geelong was co-funded by the Bank with a $140,000 commitment in order to facilitate the commencement of a far larger project which will ultimately link our community to the You Yangs and back into Geelong. The need for this project was first identified by the Bank as part of a community consultation we conducted in 2015.

We have continued to make use of the Community Enterprise Foundation™, which has resulted in a balance in excess of $253,000 after for allowing for existing commitments. These funds are available to us to support major projects in our community.

As a Board we welcomed Graeme Duff as a new Director. Graeme has family links to the Lara community and comes to us with a strong background as a private practice accountant and supporter of Geelong Give Where You Live.

Lastly but not least I want to put on record my appreciation for the support I have received from the other Board members who give so willingly of their time and expertise to make our branch the success it is.

To our Administration Support Officer, Belinda and all the staff at the branch a big thank you for your professionalism and friendly manner.

Andrew Hilliard

Andrew Hilliard
Chairman

Manager's report

For year ending 30 June 2019

I am pleased to present the Manager's report for 2018/19 financial year.

We celebrated our **Community Bank**® branch's 10th birthday on 30 June 2019. I would personally like to thank our professional and dedicated staff for their commitment and hard work building our Bank brand and supporting our customer's financial service needs and requirements.

Beckie Plumridge joined the Lara District **Community Bank**® Branch as Customer Relationship Officer in December 2018. Beckie was employed at the Corio Branch and has replaced Hanna Millar. Beckie has been an asset and has achieved her Personal Loan and Credit Card DLA within eight months.

In February we welcomed Callum Paterson to our team. Callum is employed on a 12 month Traineeship as a Customer Service Officer. Callum was previously a student at the Lara Secondary College. We look forward to Callum building a career within the Financial Services Industry.

Our branch-generated business exceeded our branch annual growth target of $5 million with total growth of $7.8 million. We however, had a reduction in our Business Banking Managed Portfolio.

Total branch holding to the end of the 2018/19 Financial year was $163 million.

Our branch key focus area was again business retention and loan growth. Our lending activity has been positive with strong competition within the broker market and the Big 4 Banks.

Our branch has invested within, to upskill our staff within consumer and business lending.

We continued to operate in a low interest rate environment, both within our deposit investor and consumer lending.

Loan amortisation continues to be above average levels, due to loan customers accelerated paydown of existing debt. Property sales increased our deposit growth footings, with customers investing within interest bearing accounts.

2018/19 Lara District **Community Bank**® Branch results:

- Customer numbers increased by 4.2% to 4,936
- Over the counter transactions 45,087, 0.8% reduction 2017/18 financial year
- Products per customers increased to 2.03 or an increase of 1.2% on the 2017/18 financial year.

The continued success of our branch has enabled our company, Lara District Community Enterprise Limited, to increase our total community investment, to over 80 not-for-profit organisations in Lara, Little River, Anakie and surrounding suburbs to over $1 million since opening the branch on 30 June 2009.

I am very thankful to our volunteer Board of Directors and our Administration Support Officer Belinda Jacometti for their continued support. They are dedicated to building our business and growing our community.

To our shareholders, I thank you for your support. If you are not currently banking with the Lara District **Community Bank**® Branch, I ask you why not?

Banking is our business, community is our purpose.

Damien Foster
Branch Manager

Community contributions

$1 million dollars invested in our community

This year we celebrate our 10th birthday, but more importantly we celebrated 10 years in our community with over $1 million being invested in the Lara, Anakie and Little River communities through sponsorships, grants and donations.

The Lara District Community Enterprise Limited and staff are so proud of the contributions that have strengthened the communities in a broad range of projects and activities, with continued support from our customers and shareholders there really is no limit to how much we can give back.

Lara Golf Club gets mobile

Branch Manager Damien Foster was excited to inspect the two new golf carts purchased through the Lara District Community Investment program. The carts were part of a joint purchase of four golf carts by the Lara Golf Club to increase cart availability to members and other golfers who, without access, would be unable to play.

Lara RSL moving forward

The Lara RSL has completed an expansion and refurbishment of their social and meeting room area, the new modern look will help increase memberships and provide a fit-for-purpose community facility. The Lara District Community Enterprise Limited was proud to be able to support the refurbishment through the Lara District Community Investment program.

Something to celebrate

Memories and milestones were celebrated on 30 June when the Lara District **Community Bank**® Branch turned 10! The Board, staff, shareholders and customers rejoiced and partied the night away to celebrate the 10 years in business and 10 years of contributions with a huge announcement of $1 million officially contributed back to over 80 groups.

Community

At the Lara District **Community Bank**® Branch we are committed to remaining an important part of the community through investing in projects and initiatives that build a stronger community.

Working hard to raise reading results

Principal Joel Riddle and teaching staff are working hard to foster a love of reading for all students at Lara Primary School. Through the Lara District Community Investment program, books and equipment have been purchased to help create a literacy classroom. The students at Lara Primary School can now benefit from a more targeted teaching program and continue to find their passion for reading.

Up in lights

The Lara Sporting Club is now the proud owner of the biggest and brightest electronic scoreboard through the collaboration of the Lara District **Community Bank**® Branch, local community and various contributors; this enabled the Lara Sporting Club to achieve their dream.

Stop horsing around

The Corio Moorabool Pony Club were ecstatic to be the recipients of a Community Investment grant to purchase the ATV vehicle, the all-terrain vehicle is a work horse and helps to get the jobs done.

2018/19 Community contributions

Through the grants and sponsorship program we supported over 27 different projects.

Organisation	Project
Community	
Lara Chamber of Commerce	Mental Health Night
Balliang Hall	Social event fundraiser
Lara RSL	Moving Forward Project
Lara Community Carols	Carols event
Lara Food & Wine	Lara Food & Wine Festival
Bendigo Bank	Race Day Sponsorship – Kids Appeal
Anakie Community Centre	Community Pizza Night
Lara Food Bank	Lara Food Bank
Friends of Kevin Hoffman Walk	Sponsorship
Little Teapot Café and Play	Ladies Night sponsorship
TLC	Tree planting
Serendip (Parks Victoria)	Eco Pond and Wetlands
Lara Heritage & Historical Inc.	Equipment and furniture
Sport	
Lara Sporting Club	Electronic scoreboard
Lara Sporting Club – Baseball	Install amenities block
Lara Sporting Club – Cricket	Jumper sponsorship
Lara Sporting Club – Football	Jumper sponsorship
Friends of Elcho Park	Water jump
Corio Moorabool Pony Club	ATV Vehicle
Lara Sporting Club – Cricket	T20 Sponsorship
Lara Golf Club	Storage shed
Lara Giants Basketball Club	Sponsorship
Lara Sporting Club – Junior Football	Training top sponsorship
Lara Giants Basketball Club	Junior clinic sponsorship
Lara Swimming Club	Summer Carnival sponsorship
Lara Sporting Club – Netball	Netball scholarships
Junior Quarter Midgets Victoria	Race sponsorship
Lara Golf Club	Golf carts
Education	
Lara Secondary College	Upstart program
Lara Secondary College	Camp Awakenings
Lara Secondary College	Breakfast Club
Lara Lions Club	Camp Licola
Lara Primary School	Reading program

Directors' report

For the financial year ended 30 June 2019

Directors

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

Andrew MacKenzie Hilliard
Chairman
Occupation: Semi-Retired Human Resources Consultant
Qualifications, experience and expertise: Bachelor in Training and Development. Extensive experience in Human Resources across a range of industries. Since retiring from full time employment in 2015, a range of short term assignments have been undertaken in the last 12 months, including six months within the 4WD accessory manufacturing industry.
Special responsibilities: Governance and Community Investment Program
Interest in shares: 14,500

Elizabeth Joy Bate
Deputy Chair
Occupation: Retired School Teacher
Qualifications, experience and expertise: A retired school teacher who takes an active role on the Lara Community and beyond. A founding member of the Lara Chamber of Commerce, a member of the Lara Fire Brigade, on the organising committee of the Lara Food and Wine Festival and President of Cancer After Care Group Geelong.
Special responsibilities: Governance and Convenor Community Investment Program Committee
Interest in shares: 6,001

Ann Elizabeth Butcher
Director
Occupation: Executive General Manager
Qualifications, experience and expertise: Ann is the Executive General Manager of Aged and Community Services at genU Karingal St Laurence and holds a Masters degree in Health Management. She has studied Foundations for Directors through the AICD. She currently sits on the Victorian Aged Care Advisory Committee with Leading Aged Services Australia. Ann lives with her three children in Little River and is Vice President of GSODA Inc.
Special responsibilities: Governance & Strategy Committee
Interest in shares: Nil

Charles John Saliba
Director
Occupation: Registered Tax Agent
Qualifications, experience and expertise: Charles has operated a small taxation business from home for the past 35 years. He has a strong banking, finance and taxation background. Charles is currently the accountant for the Laverton Catholic Parish.
Special responsibilities: Finance Committee
Interest in shares: 5,001

Jürgen Ulrich Günther Strauss
Director
Occupation: Self-employed
Qualifications, experience and expertise: Jürgen is the founder of Innovabiz, specialising in digital marketing, website development and lead generation strategies. He also hosts the InnovaBuzz innovation podcast. Jürgen holds B.Sc. (Hons) and PhD in Chemistry, has marketing qualifications from the Wharton Business School and Melbourne Business School. Jürgen has had a 27 year corporate career in chemical R&D, marketing, business management and people management.
Special responsibilities: Major Community Projects Committee
Interest in shares: Nil

Directors *(continued)*

Natalie Grace Salcome Candy
Director
Occupation: Employer Relationship Consultant NAB
Qualifications, experience and expertise: Bachelor of Arts - Melbourne University. Business Analyst - Mercer, Ensign Pensions (UK) and Unisuper. Employer Relationship Consultant - NAB. Corporate Superannuation Consultant for MLC and Plum. Team Leader - The Mix Australia. President - Lara Chamber of Commerce (finished 2016).
Special responsibilities: Governance and Community Investment Program, Social Media Editor
Interest in shares: Nil

Ian Graeme Duff
Director *(Appointed 23 October 2018)*
Occupation: Accountant
Qualifications, experience and expertise: Graeme has over 35 years' experience in Banking, Financial Planning and Accounting. He is self-employed in the accounting industry and has run his own business for over 15 years. Graeme is community focused and has been involved with Give Where You Live for the past 3 years.
Special responsibilities: Nil
Interest in shares: 6,000

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

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

Company Secretary

The company Secretary is Belinda Jacometti. Belinda was appointed to the position of Secretary on 8 April 2019. This position was previously held by Ann Butcher who was appointed 29 May 2014.

Qualifications, experience and expertise: Belinda is the Company Secretary and provides administration support for the LDCE board, Belinda has held this role since 2014. As a long term resident of Lara she is involved with many community groups and has served on the Flinders Kindergarten Board as well as the Lara Junior Football Club Committee.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
205,183	197,898

Dividends

	Year ended 30 June 2019	
	Cents	$
Dividends paid in the year	7	61,601

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 22 and 24 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Andrew MacKenzie Hilliard	11	11
Elizabeth Joy Bate	11	11
Ann Elizabeth Butcher	11	9
Charles John Saliba	11	10
Jürgen Ulrich Günther Strauss	11	11
Natalie Candy	11	11
Ian Greame Duff *(Appointed 23 October 2018)*	9	8

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

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

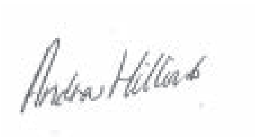
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Lara, Victoria on 27 August 2019.



Andrew MacKenzie Hilliard, Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Lara District Community Enterprise Limited

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

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 27 August 2019

Joshua Griffin
Lead Auditor

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Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

Financial statements

Lara District Community Enterprise Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	1,346,501	1,288,345
Employee benefits expense		(549,467)	(503,126)
Charitable donations, sponsorship, advertising and promotion		(241,342)	(248,278)
Occupancy and associated costs		(88,499)	(83,400)
Systems costs		(31,007)	(31,137)
Depreciation and amortisation expense	5	(25,604)	(25,841)
Finance costs	5	-	(3)
General administration expenses		(136,224)	(136,612)
Profit before income tax expense		**274,358**	**259,948**
Income tax expense	6	(69,175)	(62,050)
Profit after income tax expense		**205,183**	**197,898**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**205,183**	**197,898**
Earnings per share		¢	¢
Basic earnings per share	24	23.32	22.49

The accompanying notes form part of these financial statements.

Lara District Community Enterprise Limited
Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	912,362	791,747
Trade and other receivables	8	88,936	104,636
Current tax asset	12	15,482	2,091
Total current assets		1,016,780	898,474
Non-current assets			
Property, plant and equipment	9	70,118	77,546
Financial assets	10	446,044	400,274
Intangible assets	11	65,919	13,917
Deferred tax asset	12	2,811	12,203
Total non-current assets		584,892	503,940
Total assets		1,601,672	1,402,414
LIABILITIES			
Current liabilities			
Trade and other payables	13	63,816	51,317
Provisions	14	36,525	37,796
Total current liabilities		100,341	89,113
Non-current liabilities			
Trade and other payables	13	43,507	-
Provisions	14	4,827	3,886
Total non-current liabilities		48,334	3,886
Total liabilities		148,675	92,999
Net assets		1,452,997	1,309,415
EQUITY			
Issued capital	15	857,526	857,526
Retained earnings	16	595,471	451,889
Total equity		1,452,997	1,309,415

The accompanying notes form part of these financial statements.

Lara District Community Enterprise Limited
Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2017		857,526	311,192	1,168,718
Total comprehensive income for the year		-	197,898	197,898
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(57,201)	(57,201)
Balance at 30 June 2018		**857,526**	**451,889**	**1,309,415**
Balance at 1 July 2018		857,526	451,889	1,309,415
Total comprehensive income for the year		-	205,183	205,183
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(61,601)	(61,601)
Balance at 30 June 2019		**857,526**	**595,471**	**1,452,997**

The accompanying notes form part of these financial statements.

Lara District Community Enterprise Limited
Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,416,267	1,383,868
Payments to suppliers and employees		(1,175,821)	(1,117,669)
Interest received		20,837	14,249
Interest paid		-	(3)
Income taxes paid		(73,174)	(90,204)
Net cash provided by operating activities	17	**188,109**	**190,241**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,373)	(44,678)
Proceeds from sale of property, plant and equipment		-	14,091
Payments for financial assets		(19,505)	(66,679)
Dividends received		19,985	15,918
Net cash used in investing activities		**(5,893)**	**(81,348)**
Cash flows from financing activities			
Dividends paid	22	(61,601)	(57,201)
Net cash used in financing activities		**(61,601)**	**(57,201)**
Net increase in cash held		**120,615**	**51,692**
Cash and cash equivalents at the beginning of the financial year		791,747	740,055
Cash and cash equivalents at the end of the financial year	7(a)	**912,362**	**791,747**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

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

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

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

a) Basis of preparation *(continued)*

AASB 9 Financial Instruments

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

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

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $1,243,728.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at Lara, Victoria.

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

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

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

b) Revenue

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

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

Revenue calculation

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

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

Note 2. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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

b) Revenue *(continued)*

Ability to change financial return (continued)

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	5 - 15	years
- motor vehicles	3 - 5	years
- plant and equipment	3 - 5	years
- furniture and fittings	4 - 40	years

h) Intangibles

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

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

i) Payment terms

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

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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

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

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

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

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

k) Financial instruments *(continued)*

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

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

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

Note 2. Financial risk management *(continued)*

Expected credit loss assessment for other customers (continued)

(vi) Capital management

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

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Taxation (continued)

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities

	2019	2018
	$	$
Operating activities:		
- gross margin	1,056,229	1,038,621
- services commissions	92,483	92,062
- fee income	108,170	118,867
- market development fund	10,000	10,000
Total revenue from operating activities	1,266,882	1,259,550
Non-operating activities:		
- interest received	27,295	12,877
- dividends received	19,985	15,918
- increase in net market value of financial assets (FVTPL)	26,265	-
- other revenue	6,074	-
Total revenue from non-operating activities	79,619	28,795
Total revenues from ordinary activities	1,346,501	1,288,345

Note 5. Expenses

	2019	2018
Depreciation of non-current assets:		
- furniture and fittings	4,734	7,489
- plant and equipment	379	159
- leasehold improvements	484	484
- motor vehicles	6,090	3,969
Amortisation of non-current assets:		
- franchise agreement	2,323	2,323
- franchise renewal fee	11,594	11,417
	25,604	25,841
Finance costs:		
- interest paid	-	3
Bad debts	609	321
Decrease in net market value of financial assets (FVTPL)	-	11,856
Loss on disposal of property, plant and equipment	2,114	1,161

Note 6. Income tax expense

	2019	2018
The components of tax expense comprise:		
- Current tax	68,891	78,884
- Movement in deferred tax	9,392	(4,794)
- Franking credits	(8,565)	(6,822)
- Under/(over) provision of tax in the prior period	(543)	(5,218)
	69,175	62,050

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

Note 6. Income tax expense *(continued)*	2019	2018
	$	$
Operating profit	274,358	259,948
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	75,448	71,485
Add tax effect of:		
- non-deductible expenses	2,835	2,605
- timing difference expenses	(9,392)	4,794
	68,891	78,884
Movement in deferred tax	9,392	(4,794)
Franking credits	(8,565)	(6,822)
Under/(over) provision of income tax in the prior year	(543)	(5,218)
	69,175	62,050

Note 7. Cash and cash equivalents

Cash at bank and on hand	72,362	52,587
Term deposits	840,000	739,160
	912,362	791,747

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	72,362	52,587
Term deposits	840,000	739,160
	912,362	791,747

Note 8. Trade and other receivables

Trade receivables	75,578	94,212
Prepayments	5,088	8,611
Other receivables and accruals	8,270	1,813
	88,936	104,636

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	19,345	19,345
Less accumulated depreciation	(968)	(484)
	18,377	18,861
Furniture and fittings		
At cost	265,533	265,988
Less accumulated depreciation	(250,814)	(248,808)
	14,719	17,180

Note 9. Property, plant and equipment *(continued)*	2019	2018
	$	$
Plant and equipment		
At cost	5,482	3,496
Less accumulated depreciation	(2,972)	(2,593)
	2,510	903
Motor vehicles		
At cost	42,968	42,968
Less accumulated depreciation	(8,456)	(2,366)
	34,512	40,602
Total written down amount	70,118	77,546

Movements in carrying amounts:

	2019	2018
Leasehold improvements		
Carrying amount at beginning	18,861	19,345
Additions	-	-
Disposals	-	-
Less: depreciation expense	(484)	(484)
Carrying amount at end	18,377	18,861
Furniture and fittings		
Carrying amount at beginning	17,180	24,021
Additions	4,387	648
Disposals	(2,114)	-
Less: depreciation expense	(4,734)	(7,489)
Carrying amount at end	14,719	17,180
Plant and equipment		
Carrying amount at beginning	903	-
Additions	1,986	1,062
Disposals	-	-
Less: depreciation expense	(379)	(159)
Carrying amount at end	2,510	903
Motor vehicles		
Carrying amount at beginning	40,602	16,855
Additions	-	42,968
Disposals	-	(15,252)
Less: depreciation expense	(6,090)	(3,969)
Carrying amount at end	34,512	40,602
Total written down amount	70,118	77,546

Note 10. Financial assets		2019	2018
		$	$
Available-for-sale financial assets			
Listed investments, at fair value			
- shares in listed corporations	Note 18	446,044	400,274

Note 11. Intangible assets		
Franchise fee		
At cost	22,604	11,617
Less: accumulated amortisation	(11,617)	(9,187)
	10,987	2,430
Renewal processing fee		
At cost	112,192	57,260
Less: accumulated amortisation	(57,260)	(45,773)
	54,932	11,487
Total written down amount	65,919	13,917

Note 12. Tax		
Current:		
Income tax refundable	(15,482)	(2,091)
Non-current:		
Deferred tax assets		
- accruals	495	798
- employee provisions	11,373	11,463
- financial assets	-	441
	11,868	12,702
Deferred tax liability		
- accruals	2,275	499
- financial assets	6,782	-
	9,057	499
Net deferred tax asset	2,811	12,203
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	9,392	(4,794)

Note 13. Trade and other payables	2019	2018
	$	$
Current:		
Other creditors and accruals	63,816	51,317
Non-Current:		
Other creditors and accruals	43,507	-

Note 14. Provisions		
Current:		
Provision for annual leave	7,262	12,908
Provision for long service leave	29,263	24,888
	36,525	37,796
Non-current:		
Provision for long service leave	4,827	3,886

Note 15. Issued capital		
880,011 ordinary shares fully paid (2018: 880,011)	880,011	880,011
Less: equity raising expenses	(22,485)	(22,485)
	857,526	857,526

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Note 15. Issued capital *(contiuned)*

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if They control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

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

Note 16. Retained earnings	2019	2018
	$	$
Balance at the beginning of the financial year	451,889	311,192
Net profit from ordinary activities after income tax	205,183	197,898
Dividends provided for or paid	(61,601)	(57,201)
Balance at the end of the financial year	595,471	451,889

Note 17. Statement of cash flows	2019	2018
	$	$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	205,183	197,898
Adjustments for:		
- depreciation	11,687	12,101
- amortisation	13,917	13,740
- (increase)/decrease in net market value of financial assets	(26,265)	11,856
- dividends received	(19,985)	(15,918)
- loss on disposal of property, plant and equipment	2,114	1,161
Changes in assets and liabilities:		
- (increase)/decrease in receivables	15,700	(508)
- (increase)/decrease in other assets	(69,918)	(3,988)
- increase/(decrease) in payables	56,006	(30,104)
- increase/(decrease) in provisions	(330)	4,003
Net cash flows provided by operating activities	188,109	190,241

Note 18. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
FVTPL financial assets				
Listed investments:				
- shares in listed corporations	446,044	-	-	446,044
Total assets at fair value	446,044	-	-	446,044

At 30 June 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
FVTPL financial assets				
Listed investments:				
- shares in listed corporations	400,274	-	-	400,274
Total assets at fair value	400,274	-	-	400,274

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of FVTPL financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: There were no fair value measurements by the Level 2 fair value hierarchy.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

Note 19. Leases

	2019 $	2018 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	62,186	61,388
- between 12 months and 5 years	248,746	-
- greater than 5 years	-	-
	310,932	61,388

The branch property lease is a non-cancellable lease with a five-year term commencing on 29 June 2019, with rent payable monthly in advance. Three further terms of five years are available.

Note 20. Auditor's remuneration

	2019	2018
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	5,130
- share registry services	4,775	4,305
- non audit services	2,930	1,830
	12,305	11,265

Note 21. Director and related party disclosures

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

Andrew MacKenzie Hilliard
Elizabeth Joy Bate
Ann Elizabeth Butcher
Charles John Saliba
Jürgen Ulrich Günther Strauss
Natalie Grace Salcome Candy
Ian Greame Duff *(Appointed 23 October 2018)*

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

Transactions with related parties:	2019 $	2018 $
Jürgen Strauss received payments from the company for the website care plan to the value of:	1,280	-

Directors Shareholdings	2019	2018
Andrew MacKenzie Hilliard	14,500	10,000
Elizabeth Joy Bate	6,001	6,001
Ann Elizabeth Butcher	-	-
Charles John Saliba	5,001	5,001
Jürgen Ulrich Günther Strauss	-	-
Natalie Candy	-	-
Ian Greame Duff *(Appointed 23 October 2018)*	6,000	-

There was no movement in directors shareholdings during the year.

Note 22. Dividends provided for or paid

	2019 $	2018 $
a. Dividends paid during the year		
Current year dividend		
Fully (2018: 100%) franked dividend - 7 cents (2018: 6.5 cents) per share	61,601	57,201

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

Note 22.	Dividends provided for or paid *(continued)*	2019	2018
		$	$
b.	*Franking account balance*		
	Franking credits available for subsequent reporting periods are:		
	- franking account balance as at the end of the financial year	259,262	203,155
	- franking credits that will arise from payment of income tax as at the end of the financial year	3,808	14,768
	- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
	Franking credits available for future financial reporting periods:	263,070	217,923
	- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
	Net franking credits available	263,070	217,923

Note 23. Key management personnel disclosures

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

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

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Lara, Victoria. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $647 for the year ended 30 June 2019 (2018: $482).

Note 24.	Earnings per share	2019	2018
		$	$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	205,183	197,898
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	880,011	880,011

Note 25. Events occurring after the reporting date

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

Note 26. Contingent liabilities and contingent assets

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

Note 27. Community Enterprise Foundation

During the period the company contributed funds to the Community Enterprise Foundation (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2019 is as follows:

	2019 $	2018 $
Opening balance	334,376	234,681
Contributions	115,790	100,000
Grants paid	(57,526)	-
Interest	6,606	4,695
Management fees	(5,263)	(5,000)
Balance available for distribution	393,982	334,376

Note 28. Segment reporting

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

Note 29. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
5 Waverley Road Lara Victoria 3212	5 Waverley Road Lara Victoria 3212

Note 30. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$	$	$	$	$	%	%
Financial assets												
Cash and cash equivalents	72,352	52,577	840,000	739,160	-	-	-	-	10	10	3.07	1.51
Receivables	-	-	-	-	-	-	-	-	75,578	94,212	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019	2018
	$	$
Change in profit/(loss)		
Increase in interest rate by 1%	9,124	7,917
Decrease in interest rate by 1%	(9,124)	(7,917)
Change in equity		
Increase in interest rate by 1%	9,124	7,917
Decrease in interest rate by 1%	(9,124)	(7,917)

Directors' declaration

In accordance with a resolution of the directors of Lara District Community Enterprise Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* , including:

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

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Andrew MacKenzie Hilliard, Chairman

Signed on the 27th of August 2019.

Partners in success
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Independent auditor’s report to the members of Lara District Community Enterprise Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Lara District Community Enterprise Limited, is in accordance with the *Corporations Act 2001*, including:

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

What we have audited
Lara District Community Enterprise Limited’s (the company) financial report comprises the:

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

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

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

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

Other information
The company usually prepares an annual report that will include the financial statements, directors’ report and declaration and our independence declaration and audit report (the financial report). The annual report may also include “other information” on the entity’s operations and financial results and financial position as set out in the financial report, typically in a Chairman’s report and Manager’s report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 27 August 2019

Joshua Griffin
Lead Auditor

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(BNPAR19032) (09/19)
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