# Leopold Community Enterprises Limited

ABN 39 133 061 800


# 2019 Annual Report

Leopold Community Bank Branch

# Contents

# Chair’s report

## For year ending 30 June 2019

It is with pleasure that I submit my Chair’s report on behalf of the Board for the financial year ending 30 June 2019.

**10-year celebrations**

3 April 2019 marked the 10th anniversary of the opening of the Leopold Community Bank Branch.

The branch was decorated with balloons and streamers and a cake was cut by Robyn Collier, our longest serving staff member. Celebrations included free cupcakes, water and commemorative shopping bags for all customers and a free raffle ticket for all who attended the branch. Not only did we celebrate the 10-year milestone, we took time to reflect on the over $1.2 million returned to the local community in the way of grants, sponsorships and donations.

A highlight of the day was the Shareholder High Tea to celebrate the 10 years. Shareholders who have supported the company since its inception and new shareholders, all gathered at the Leopold Sports Pavilion to recognise this important milestone. Attendees heard from the Chair (Lily Reinert) on the history of our branch, viewed a presentation on the community projects supported by Leopold Community Bank Branch and were presented with a copy of a booklet outlining ‘Our Journey so far’.

**Business growth**

Although 2018/19 year has been a challenging one for banking, our combined book now stands at $166.782 million consisting of $80.517 million in lending, $75,815 million in deposits and $10,450 million in Off Balance sheet products (i.e. Insurances, Sandhurst, and Financial Planning products). Please refer to the Branch Manager’s report which covers the branch operations.

**Branch staff**

As always, a major factor in the ongoing growth and achievement of the company has been the continuing high level of customer service and support provided by our team at the branch, and for this I would like to commend Craig Taylor and the team for their efforts in this regard.

**Board membership**

I wish to thank all Board members for their continued commitment to Leopold Community Enterprises Limited and the community of Leopold. In April this year we said goodbye to one of our original Board members, Janet McIntosh. Janet was part of the original steering committee which commenced back in 2008 and has been instrumental in the success of the Board and the branch.

With Janet’s retirement, we have also seen the arrival of a new Director, Todd Hubers Van Assenraad. After moving to Leopold in 2017 with his wife and young son, Todd joined the Board in April. He is a community minded, IT professional, and looks forward to further community development for his family and residents of Leopold.

The Board continues to seek the services of people with the specific skills required to complete the composition of the Board. If you would like to be involved, please make contact at the branch.

**Governance**

Clearly, the Board’s obligation first and foremost is to ensure that the company continues to prosper and complies with all ASIC regulations and guidelines. In this regard, we are indebted to Paul Madden, Lily Reinert, Bronwyn Shearer and John Leach for ensuring that all matters are dealt with appropriately.

# Chair's report (continued)

**Shareholders**

This year the company has paid a fully franked dividend to shareholders of 7c per share (December 2018). This brings the total dividends paid to date to 44c per share. Since paying our first dividend (June 2012) the shareholder dividend has either remained the same or increased each and every year. The total financial returns to shareholders directly now stand at over $343,248. This demonstrates the company commitment to reward those who made the Community Bank company possible some ten years ago.

We look forward to announcing the 2019 dividend at our Annual General Meeting in November, which will be payable to all shareholders in November 2019 and is additional to the above balance on returns to shareholders.

**Our community**

Our commitment to our community can be seen in the Community Investments of this Annual Report. In addition to the grants, sponsorships and donations delivered to the community, this year has seen our provision of seed funding for larger projects and our Executive Officer working with community groups to access additional funding sources. Examples of this are the Leopold War Memorial in which works will commence in the coming weeks and the Leopold Hall's major building redevelopment which are currently being undertaken. As a team we feel extremely proud of the role we have played in facilitating these results for the community of Leopold.

In closing, 3 April 2019 was an exciting milestone for the company. The Leopold Community Bank Branch at Leopold Gateway Plaza was ten years old. I would like to acknowledge and thank you, our shareholders, without your support and belief in our own Leopold Community Bank Branch we would not be in existence today.

**Lily Reinert**
**Chair**

# Manager's report

## For year ending 30 June 2019

The 2018/19 financial year was met with challenges around tighter lending restrictions resulting from APRA's intervention, staffing and the ongoing Royal Commission, along with reduced margins due to increased competition from both traditional and on-line financiers. While we did not reach the heights the previous year (Top 12 in Victoria/ Tasmania) the branch and the staff gave it their all.

The Leopold Community Bank Branch also celebrated its 10th birthday and a high tea was held for our shareholders and grant recipients. In the branch we celebrated by offering birthday cupcakes to our customers, cutting of the cake and giveaways as well as prizes from competitions held in branch. Thank you for all that celebrated this special day with the staff and the Board.

However, despite all the challenges in the year, there was good growth to our book by approximately $7.53 million bringing the branch footings to $166.782 million.

Deposits grew by $8.75 million (budget of $5 million) and it is a credit to the staff in the way they achieved this growth by offering our customers products that will benefit their needs. This growth was achieved in areas not only with our core Bank products but also in non-ancillary products such as Sandhurst Trustees and Financial Planning.

However, while deposit growth exceeded our expectations, lending growth was flat. There was no growth in lending (reduction overall of $1.2 million for the year) even though activity was still strong.

- Approvals totalled just under $17 million which represented a decrease from the previous year's result of $25.3 million.
- Settlements totalled $16.4 million which represented a decrease from the previous year's result of $25.8 million.
- Discharges totalled $7.8 million which was a decrease from the previous year's result of $12.6 million however for every $1,000 we lose in pay-down and discharges, we need to replace it with four times as much in settlements.

The combined book now stands at $166.782 million consisting of $80.517 million in lending, $75,815 million in deposits and $10.450 million in Off Balance sheet products (i.e. Insurances, Sandhurst, and Financial Planning products).

Other noticeable business achievements included:

- Both our customer numbers (up 2.9%) and products per customer increased (up 1.2%) for the year
- Our in-branch transaction numbers although decreased for the year (reduction of only 32 overall), it must be noted that the branch closed for Saturday trading in early May
- We protected over 100 of our customers by providing quality insurance products to protect their assets.

During this period, while still growing significantly, we were able to provide important support back to our local community in the form of grants, sponsorships and shareholder dividends.

13 grants were issued totalling just under $116,000 with the largest being a $55,000 grant to the users of the Leopold Sporting Pavilion to fit out their new building. These funds have made the pavilion a place for the whole community to use and has given the users the ability to hold events there such as Geelong Football and Cricket finals.

With a good profit being recorded we were also able to top up our Foundation account to ensure any future projects can be supported and declaring further dividends for our valued shareholders. All up, in the 10 years of business this branch has been able to give back over $1.216 million back into the local community.

From a community perspective we continue to connect with our associations and last year established two Referral Agency Agreements with our existing sponsors being Leopold Football & Netball Club Inc and the Leopold Cricket Club Inc. It is through these relationships and their members we hope to generate new opportunities in both lending and deposits for our branch to continue to move in the right direction and provide funds for these clubs.

# Manager's report (continued)

None of this would be possible without the dedication of our staff and the Board of Directors (whom are volunteers). The personal service provided to our customers by our staff is something we are very proud of. I would like to thank our branch team: Steve Smiljanic, Jacqui Ludmon, Robyn Collier, Mua Alatupe, Janelle Coles (resigned in November 2018), Camilla Wilson (maternity leave) and Christina Eden for their professionalism, dedication and work ethic. I thank them for the support and assistance they provide to me. As Janelle resigned to take up another work opportunity, we welcomed a new entrant in Samantha (Sam) Allen to the team in February. Sam has fitted in well with the team, has learnt a lot with community banking and brings some youth to our branch structure. We have continued to gel as a group and the team effort has been rewarded with several positive results shown of this branch throughout the year.

A big thank you to our Board of Directors for their direction, support and guidance throughout the year. A special mention to Bronwyn Shearer in her role as Board Support Officer. She has been able to lend support to my role and the Directors throughout the year and has taken the company to a new level. The Directors are dedicated to building our business, our brand in the community and telling the story.

And lastly our shareholders and customers! Without the shareholders having confidence in the Community Bank model, this branch would not have had the opportunity to put back so much into the Leopold community since opening its doors in 2009. Without our customers support and their trust in us by using our products and services, we would not been able to generate profits to fund important projects to better the Leopold community.

For this branch to continue to grow we need the ongoing assistance of our shareholders and customers, in bringing new business into the branch, by introducing community groups or business acquaintances that they know or are involved with, resulting in more being available for community contributions and dividends.

If you are not currently banking with the Leopold Community Bank Branch, you are missing out on something special. Please visit our branch, speak to me or one of our dedicated staff about all your banking needs.

Banking is our business; community is our purpose.

**Craig Taylor**
**Branch Manager**

# Community investments

Leopold Community Bank Branch has supported so many community groups and programs over the past 10 years. We are committed to ensuring all community groups have the opportunity to benefit from the financial support through our grants and sponsorships program. As of the end of this financial year, Leopold Community Bank Branch had contributed over $1.216 million back into the community.

| | |
|---|---|
| 1st Eastern Park Scout Group | Leopold Men's Shed |
| Adopt a Family | Leopold Neighbourhood Watch |
| Allanvale Preschool Centre | Leopold Playgroup |
| Barwon Health | Leopold Primary School |
| Bellarine Community Health | Leopold Scouts |
| Bellarine Cricket Association | Leopold Senior Citizens Club |
| Bellarine First Aid | Leopold Sports Pavilion |
| Bellarine Living and Learning Centre | Leopold Sportsmans Club |
| Boomerang Bags | Leopold Sportsmans Club (Bowls section) |
| Christ the King Primary School | Leopold Sportsmans Club (Golf section) |
| Club Italia | Leopold Tennis Club |
| Cottage by the Sea | Leopold Toy Library |
| East Geelong Men's Shed | Leopold Uniting Church |
| Encompass | Leopold War Memorial |
| FC Leopold (Soccer) | Leopold Wildlife Service |
| Friends of the Bellarine Rail Trail | LINC |
| Geelong Racing Club | Lions Club of Leopold |
| Geelong Try Boys | Lumen Christi Catholic Church |
| Kids Day Out (Easter Egg Hunt) | One Voice |
| Leopold Auskick | Probus Club of Leopold |
| Leopold Business Association | Red Cross |
| Leopold CFA | Riding for the Disabled |
| Leopold Community and Learning Centre | St Vincent de Paul |
| Leopold Cricket Club | Starstruck Stables |
| Leopold Football Netball Club | Tee up 4 kids |
| Leopold Girl Guides | Uniting Church |
| Leopold Hall | Wallington Cricket Club |
| Leopold Kindergarten | Wallington Primary School |
| Leopold Lakers Basketball | West Coast Soarers |
| Leopold Little Athletics | Winegrowers Association of Bellarine |

**Our sporting groups**

As with most communities, our sport and recreation clubs are the hub of community life. We are proud to support numerous sporting clubs for grants for equipment and team sponsorships.

Our largest investment commenced in late 2017, when the Leopold Football Netball Club approached Leopold Community Bank Branch for additional support for the fit-out costs of the new Leopold Sports Pavilion. As this project would also benefit the Leopold Cricket Club, all parties joined together to discuss the requirements.

The strong work undertaken by all parties has resulted in a fantastic facility which not only benefits to sporting club tenants but is available to other community groups as well.

# Community investments (continued)

The significance of the name of the building 'The Club' represents a place where all people come together and feel part of. We are proud to have naming rights to the ground for the next seven years – now known as Leopold Community Bank Oval.



**Our children and young people**

Leopold Community Bank Branch supports the children of our area in a variety of ways, including projects in our local schools, and involvement with our local kindergartens and playgroups. We consistently invest in initiatives that support the development of young people within our community.

In 2018 we committed over $43,000 to Leopold Primary School, Christ the King Primary School, Allanvale Pre-school Centre and Leopold Kindergarten for equipment to support the development of the young children in our community.

Over the years we have also supported Cottage by the Sea Leadership program, 1st Eastern Park Scout Group, Encompass, Kids Day Out (Easter Egg Hunt), Leopold Girl Guides, Leopold Playgroup, Leopold Scouts, Leopold Toy Library, Tee Up for Kids and Wallington Primary School to name a few.

# Community investments (continued)

**Our young at heart**

Leopold Community Bank Branch is committed to supporting activities and projects to those of all ages in our community. Our biggest investments outside of the Leopold Sports Pavilion was the establishment of the Leopold Community and Learning Centre. These projects have both benefited people of all ages and we are proud to have been instrumental in their success.

In addition to these we are pleased to have been involved in many projects and events in the community. Some of these include the Adopt a Family, Barwon Health Exercise Program, Bellarine Living and Learning Centre, Boomerang Bags, Club Italia, Leopold Hall, Leopold Men's Shed, Bellarine Community Health, Leopold Senior Citizens Club, Leopold War Memorial, Lions Club of Leopold and the Seniors Christmas Luncheon.

Leopold Community & Learning Centre

**Our surroundings**

Leopold is a proud suburb and the Leopold Community Bank Branch has supported our environment and the security of Leopold through a number of grants to assist organisations in the wonderful work they are doing in our community. We believe in and support the exceptional work the volunteers are undertaking in providing a safe and community spirited environment for us all to enjoy.

LEOPOLD COMMUNITY WATCH
Bringing the Community Together
Bendigo Bank
Leopold Community Bank® Branch


We are pleased to say this community investment amount is growing regularly and whether you are young or young at heart; you have probably been involved in something that the Leopold Community Bank Branch has supported.

# Directors' report

## For the financial year ended 30 June 2019

### Directors

The following persons were Directors of Leopold Community Enterprises Limited as at 30 June 2019.

| | |
|---|---|
| **Lily Reinert** | |
| Position | Chairperson, member of the Human Resources Committee, Governance and Risk Committee and Marketing Sponsorship and Business Development Committee |
| Professional qualifications | Registered Nurse |
| Experience and expertise | Business Manager |
| Current directorships | Geelong Safety Rail Pty Ltd, Bremen Pty Ltd, 300 Portarlington Road |
| **Paul Madden** | |
| Position | Deputy Chairman, Treasurer and member of the Finance Budget and Audit Committee |
| Professional qualifications | Accountant CPA, Registered Tax Agent |
| Experience and expertise | Principal Advance Business Centres Accountants and Planners Diploma of Business (Accounting). |
| Current directorships | Lasorate Pty Ltd, Investco Pty Ltd, Providence Holdings Pty Ltd, Link Consultants Pty Ltd |
| **Bronwyn Shearer** | |
| Position | Company Secretary and member of Human Resources Committee, Governance and Risk Committee and Marketing Sponsorship and Business Development Committee |
| Professional qualifications | Diploma of Community Welfare |
| Experience and expertise | Business and Customer Services Manager with 10 years' experience in strategic planning, Board evaluation and Board processes. |
| Current directorships | AKS Electrical Services |
| **Bob Reinert** | |
| Position | Director and member of the Asset Management Committee |
| Professional qualifications | Registered commercial and residential builder |
| Experience and expertise | Business Manager, Registered Commercial and Residential builder with 10+ years involvement with the Board. |
| Current directorships | Geelong Safety Rail Pty Ltd, Trenier Investments, Reinert Investments, Bremen Pty Ltd, 300 Portarlington Road |
| **John Leach** | |
| Position | Director and member of the Governance and Risk Committee and the Finance, Budget and Audit Committee |
| Professional qualifications | Retired Certified Practicing Accountant (CPA) |
| Experience and expertise | CPA |
| Current directorships | NIL |

# Directors' report (continued)

**Directors (continued)**

| | |
|---|---|
| **Gabrielle Jennings** | |
| Position | Director and member of Marketing Sponsorship and Business Development Committee |
| Professional qualifications | Cert IV in Leisure & Health, Cert III in Event Management, Cert III Tourism Operations |
| Experience and expertise | Small business operation, program development, project planning, international education, disability services, employment services. |
| Current directorships | NIL |
| **Dennis More** | |
| Position | Director and member of Marketing Sponsorship and Business Development Committee |
| Professional qualifications | Business Developer and electrician |
| Experience and expertise | 40+ years electrical contracting, lighting retail, trenching contracting, and most recently as a commercial and industrial property developer. |
| Current directorships | More Holdings P/L, Leopold Lakes P/L and Leopold Property Holdings P/L |
| **Todd Hubers Van Assenraad** | |
| Position | Director and member of Marketing Sponsorship and Business Development Committee |
| Professional qualifications | Bachelor of Business Information Technology (Hons) |
| Experience and expertise | Past director of ICT Geelong Limited, Founder of StartupCloud, Founder of Alivate, Founder of Dull Pty Ltd, Organiser of Geelong Silicon Beach and Emerge Geelong. Experience includes Business development, administration, Web advertising, Information Technology, Lean Startups and Investment, Corporate governance and member organisations, Business Strategy, Invention and User Experience Design and Management of Graphic art projects, from brief to delivery. |
| Current directorships | Sole director of Alivate Pty Ltd and co-director of Dull Pty Ltd. Future director of MalKim Pty Ltd |
| Commencement | Joined the Board in April 2019 |
| **Janet McIntosh** | |
| Position | Director and member of Marketing Sponsorship and Business Development Committee |
| Professional qualifications | Qualified Real Estate Agent |
| Experience and expertise | In addition to the professional employment history, over 10 years' experience on community Boards |
| Resignation: | 2 April 2019 |

**Statement of Interest**

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

# Directors’ report (continued)

**Directors’ meetings**

| Director Attendance 2018/19 | 30 July 2018 | 27 August 2018 | 24 September 2018 | 29 October 2018 | November 2018 | 4 December 2018 | 21 January 2019 | 25 February 2019 | 25 March 2019 | 29 April 2019 | 27 May 2019 | 24 June 2019 | Number of meetings attended |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Lily Reinert | P | P | P | P | | P | P | P | P | P | P | P | 11of 11 |
| Paul Madden | P | P | P | P | | P | P | A | P | P | P | P | 10 of 11 |
| Bob Reinert | P | P | P | A | | P | P | P | P | P | P | P | 10 of 11 |
| Janet McIntosh | P | P | P | P | No meeting | P | P | P | P | R | R | R | 8 of 8 |
| Bronwyn Shearer | P | P | P | P | | P | P | P | P | P | P | P | 11 of 11 |
| John Leach | P | P | P | P | | P | P | P | P | P | P | P | 11 of 11 |
| Gabrielle Jennings | | P | P | P | | P | P | P | P | P | P | P | 10 of 10 |
| Dennis More | | | P | P | | P | P | A | P | P | P | P | 8 of 9 |
| Todd Hubers Van Assenraad | | | | | | | | | | P | A | P | 2 of 3 |

P=Present A=Apology L=Leave R=Resigned

**Principal activities**

The principal activities of the company during the course of the financial year were in providing Community Bank branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited. There have been no significant changes in the nature of these activities during the year.

**Dividends**

Dividends paid or declared since the start of the financial year. A fully franked final dividend of 7.0 cents per share was declared and paid during the year for the year ended 30 June 2019.

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

**Significant changes in the state of affairs**

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

**Events subsequent to the end of the reporting period**

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

# Directors' report (continued)

### Likely developments

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

### Environmental regulations

The company is not subject to any significant environmental regulation.

### Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

### Proceedings on behalf of company

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

### Auditor independence declaration

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

### Remuneration report

Director positions are held on a voluntary basis and therefore Directors are not remunerated for their services. Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

The Leopold Community Enterprises Limited has accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $0 for the year ended 30 June 2019.

# Directors' report (continued)

**Equity holdings of key management personnel**

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

| Name | Balance @ 30 June 2018 | Net change in holdings | Balance @ 30 June 2019 |
|---|---|---|---|
| Paul Madden | 26,051 | | 26,051 |
| Janet McIntosh (resigned 2nd April 2019) | 74,051 | | 74,051 |
| Bob Reinert | 5,051 | | 5,051 |
| Lily Reinert | 5,051 | | 5,051 |

**Loans to key management personnel**

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

Signed in accordance with a resolution of the Board of Directors on 30 September 2019.

**Lily Reinert**
**Chair**
**Leopold Community Enterprises Limited**

# Auditor's independence declaration

Mark SP Wilkinson
ABN 46 472 629 469
*Registered Company Auditor*

23 August 2019

The Directors
Leopold Community Enterprises Limited
PO Box 74
LEOPOLD VIC 3224

Dear Directors,

To the Directors of Leopold Community Enterprises Limited (ABN 39 133 061 800)

**Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*.**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2019 there has been:

(i) No contraventions of the auditor independence requirements as set out in 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.

Mark Stuart Pressland Wilkinson
*Registered Company Auditor 4485*
6 Kintyre Crescent
Leopold Victoria 3224

*Liability limited by a scheme approved under Professional Standards Legislation.*

6 Kintyre Crescent (PO Box 235)
Leopold 3224
Telephone: 0418 772 212
Email: auditvalue@bigpond.com

# Financial statements

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

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| Revenue | 2 | 1,208,260 | 1,160,493 |
| **Expenses** | | | |
| Employee benefits expense | 3 | (556,244) | (512,926) |
| Depreciation and amortisation | 3 | (13,413) | (13,441) |
| Finance costs | 3 | - | - |
| Bad and doubtful debts expense | 3 | (264) | (630) |
| Administration and general costs | | - | - |
| Occupancy expenses | | (133,381) | (123,062) |
| IT expenses | | (47,798) | (47,398) |
| Other expenses | | (115,588) | (167,557) |
| | | **(866,688)** | **(865,014)** |
| **Operating profit before charitable donations & sponsorship** | | **341,572** | **295,479** |
| Charitable donations and sponsorships | | (105,763) | (158,006) |
| **Profit before income tax** | | **235,809** | **137,473** |
| Income tax benefit | 4 | (64,847) | (37,805) |
| **Profit for the year after income tax** | | **170,962** | **99,668** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **170,962** | **99,668** |
| Profit attributable to members of the company | | 170,962 | 99,668 |
| **Total comprehensive income attributable to members of the company** | | **170,962** | **99,668** |

**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):**

| | | | |
|---|---|---|---|
| - basic earnings per share | 19 | 21.92 | 12.78 |

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

## Statement of Financial Position
## as at 30 June 2019

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 845,655 | 901,764 |
| Trade and other receivables | 6 | 108,155 | 77,838 |
| Financial assets | 7 | 133,366 | 128,683 |
| Current tax asset | 4 | - | - |
| Other assets | 8 | 5,377 | 52,244 |
| **Total current assets** | | **1,092,553** | **1,160,529** |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 97,343 | 99,318 |
| Intangible assets | 10 | 70,318 | 2,891 |
| Deferred tax assets | 4 | - | - |
| **Total non-current assets** | | **167,661** | **102,209** |
| **Total assets** | | **1,260,214** | **1,262,738** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 97,207 | 215,808 |
| Current tax liability | 4 | 34,794 | 47,813 |
| Borrowings | 13 | - | - |
| Provisions | 14 | 54,170 | 50,473 |
| **Total current liabilities** | | **186,171** | **314,094** |
| **Non-current liabilities** | | | |
| Borrowings | 13 | - | - |
| Provisions | 14 | - | - |
| Deferred tax liability | 4 | - | - |
| **Total non-current liabilities** | | **-** | **-** |
| **Total liabilities** | | **186,171** | **314,094** |
| **Net assets** | | **1,074,043** | **948,644** |
| **Equity** | | | |
| Issued capital | 15 | 759,571 | 759,571 |
| Retained earnings | 16 | 314,472 | 189,073 |
| Reserves | 18 | - | - |
| **Total equity** | | **1,074,043** | **948,644** |

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

# Financial statements (continued)

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

| | Note | Issued capital $ | Retained earnings $ | Reserves $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 July 2017 | | 901,000 | | - | 901,000 |
| Comprehensive income for the year | | | | | |
| Profit for the year | | - | 99,668 | - | 99,668 |
| Other comprehensive income for the year | | - | - | - | - |
| | | **-** | **99,668** | **-** | **99,668** |
| Transactions with owners in their capacity as owners | | | | | |
| Other value change | | - | - | 2,584 | 2,584 |
| Dividends paid or provided | 17 | - | (54,608) | - | (54,608) |
| **Balance at 30 June 2018** | | **901,000** | **45,060** | **2,584** | **948,644** |
| Balance at 1 July 2018 | | 948,644 | - | - | 948,644 |
| Comprehensive income for the year | | | | | |
| Profit for the year | | - | 170,962 | - | 170,962 |
| Other comprehensive income for the year | | - | - | - | - |
| | | **-** | **170,962** | **-** | **170,962** |
| Transactions with owners in their capacity as owners | | | | | - |
| Other vaule change | | | | 8,720 | 8,720 |
| Dividends paid or provided | 17 | - | (54,283) | - | (54,283) |
| **Balance at 30 June 2019** | | **948,644** | **116,679** | **8,720** | **1,074,043** |

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

## Statement of Cash Flows
## for the year ended 30 June 2019

| | Notes | 2019<br>$ | 2018<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 1,265,099 | 1,155,652 |
| Payments to suppliers and employees | | (1,158,425) | (836,852) |
| Dividends received | | 5,127 | 4,841 |
| Interest paid | | - | - |
| Interest received | | 21,232 | - |
| Income tax paid | | (59,990) | 5,316 |
| **Net cash flows provided by operating activities** | **20b** | **73,043** | **328,957** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | - | - |
| Proceeds from sale of investments | | - | - |
| Purchase of property, plant and equipment | | (876) | (859) |
| Purchase of investments | | - | (1,972) |
| Purchase of intangible assets | | (73,993) | - |
| **Net cash flows used in investing activities** | | **(74,869)** | **(2,831)** |
| Cash 2flows from financing activities | | | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | - |
| Dividends paid | | (54,283) | (54,608) |
| **Net cash flows used in financing activities** | | **(54,283)** | **(54,608)** |
| **Net increase/(decrease) in cash held** | | **(56,109)** | **271,518** |
| Cash and cash equivalents at beginning of financial year | | 901,764 | 630,246 |
| **Cash and cash equivalents at end of financial year** | **20a** | **845,655** | **901,764** |

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

# Notes to the financial statements

## For year ended 30 June 2019

These financial statements and notes represent those of Leopold Community Enterprises Limited.

Leopold Community Enterprises Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 30 September 2019.

## Note 1. Summary of significant accounting policies

**(a) Basis of preparation**

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

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

Economic dependency

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

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

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

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

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

# Notes to the financial statements (continued)

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

**(b) Impairment of assets**

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

**(c) Goods and services tax (GST)**

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

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

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

**(d) Comparative figures**

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

**(e) Critical accounting estimates and judgements**

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

<u>Estimation of useful lives of assets</u>

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

<u>Fair value assessment of non-current physical assets</u>

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

<u>Employee benefits provision</u>

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

# Notes to the financial statements (continued)

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

**(e) Critical accounting estimates and judgements (continued)**

Income tax

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

Impairment

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

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

There are no new and amended accounting policies that have been adopted by the company this financial year.

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2017. Information on the more standard(s) applicable to this entity are presented below.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017.

**(g) New accounting standards for application in future periods**

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

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

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

(i) the objective of the entity's business model for managing the financial assets; and

(ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

# Notes to the financial statements (continued)

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

**(g) New accounting standards for application in future periods (continued)**

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018) (continued)

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

# Notes to the financial statements (continued)

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

**(g) New accounting standards for application in future periods (continued)**

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

AASB 16:

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

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

## Note 2. Revenue

| | 2019 $ | 2018 $ |
|---|---|---|
| Revenue | | |
| - service commissions | 1,171,900 | 1,127,633 |
| | **1,171,900** | **1,127,633** |
| Other revenue | | |
| - interest received | 20,860 | 15,519 |
| - other revenue | 15,500 | 17,341 |
| | **36,360** | **32,860** |
| **Total revenue** | **1,208,260** | **1,160,493** |

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

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

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, dividend and other income

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

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

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

## Note 3. Expenses

| | 2019 $ | 2018 $ |
|---|---|---|
| **Profit before income tax includes the following specific expenses:** | | |
| Employee benefits expense | | |
| - wages and salaries | 446,943 | 409,856 |
| - superannuation costs | 53,742 | 57,811 |
| - other costs | 55,558 | 45,259 |
| | **556,243** | **512,926** |
| Depreciation and amortisation | | |
| Depreciation | | |
| - buildings | | - |
| - leasehold improvements | 2,626 | 2,683 |
| - plant and equipment | 5,356 | 9,602 |
| - furniture and fittings | - | - |
| - motor vehicles | - | - |
| | **7,982** | **12,285** |
| Amortisation | | |
| - franchise fees | 5,431 | 1,156 |
| - establishment costs | - | - |
| | **5,431** | **1,156** |
| **Total depreciation and amortisation** | **13,413** | **13,441** |
| Finance costs | | |
| - Interest paid | - | - |
| Bad and doubtful debts expenses | 264 | 630 |
| (Gain) / Loss on disposal of property, plant and equipment | - | - |
| Auditors' remuneration | | |
| Remuneration of the Auditor, RSD Audit, for: | | |
| - Audit or review of the financial report | 2,900 | 2,828 |
| - Taxation services | - | - |
| - Share registry services | - | - |
| | **2,900** | **2,828** |

Operating expenses

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

## Note 3. Expenses (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation

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

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

| Class of asset | Rate | Method |
|---|---|---|
| Buildings | 3% | Straight line / Diminishing value |
| Leasehold improvements | 4-5% | Straight line / Diminishing value |
| Plant and equipment | 10-20% | Straight line / Diminishing value |
| Motor vehicles | 13% | Straight line / Diminishing value |

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

## Note 4. Income tax

| | 2019 $ | 2018 $ |
|---|---|---|
| **a. The components of tax expense comprise:** | | |
| Current tax expense | 64,847 | 37,805 |
| Deferred tax expense | - | - |
| Recoupment of prior year tax losses | - | - |
| Under / (over) provision of prior years | - | - |
| | **64,847** | **37,805** |
| **b. Prima facie tax payable** | | |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie tax on profit before income tax at 27.5% (2018: 27.5%) | 64,847 | 37,805 |
| Add tax effect of: | | |
| - Utilisation of previously unrecognised carried forward tax losses | | |
| - Under / (over) provision of prior years | - | - |
| - Non-deductible expenses | - | - |
| **Income tax attributable to the entity** | **64,847** | **37,805** |
| The applicable weighted average effective tax rate is: | -27.50% | -27.50% |

| | 2019 $ | 2018 $ |
|---|---|---|
| **Note 4. Income tax (continued)** | | |
| **c. Current tax liability** | | |
| Current tax relates to the following: | | |
| Current tax liabilities / (assets) | | |
| Opening balance | 47,813 | - |
| Income tax paid | (77,866) | 10,008 |
| Current tax | 64,847 | 37,805 |
| Under / (over) provision prior years | - | - |
| | **34,794** | **47,813** |
| **d. Deferred tax asset / liability** | | |
| Deferred tax relates to the following: | | |
| Deferred tax assets comprise: | | |
| Provision for doubtful debts | - | - |
| Prepayments | - | - |
| Property, plant & equipment | - | - |
| Accruals | - | - |
| Employee provisions | - | - |
| Unused tax losses | - | - |
| | **-** | **-** |
| Deferred tax liabilities comprise: | | |
| Accrued income | - | - |
| Property, plant & equipment | - | - |
| | **-** | **-** |
| **Net deferred tax asset / liability** | **-** | **-** |
| Total carried forward tax losses not recognised as deferred tax assets: | - | - |
| **e. Deferred income tax included in income tax expense comprises:** | | |
| Decrease / (increase) in deferred tax assets | - | - |
| (Decrease) / increase in deferred tax liabilities | - | - |
| Under / (over) provision prior years | - | - |
| | **-** | **-** |

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

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

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

## Note 4. Income tax (continued)

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

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

## Note 5. Cash and cash equivalents

| | 2019 $ | 2018 $ |
|---|---|---|
| Cash at bank and on hand | 78,637 | 155,516 |
| Short-term bank deposits | 767,018 | 746,248 |
| | **845,655** | **901,764** |

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

## Note 6. Trade and other receivables

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current** | | |
| Trade receivables | 73,155 | 77,838 |
| Other receivables | 35,000 | - |
| | **108,155** | **77,838** |

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

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

**Credit risk**

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

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

## Note 6. Trade and other receivables (continued)

**Credit risk (continued)**

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

| | Gross amount $ | Not past due $ | Past due but not impaired | | | Past due and impaired $ |
|---|---|---|---|---|---|---|
| | | | < 30 days $ | 31-60 days $ | > 60 days $ | |
| **2019** | | | | | | |
| Trade receivables | 73,155 | 73,155 | - | - | - | - |
| Other receivables | 35,000 | 35,000 | - | - | - | - |
| **Total** | **108,155** | **108,155** | **-** | **-** | **-** | **-** |
| **2018** | | | | | | |
| Trade receivables | 77,838 | 77,838 | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| **Total** | **77,838** | **77,838** | **-** | **-** | **-** | **-** |

| | 2019 $ | 2018 $ |
|---|---|---|
| **Note 7. Financial assets** | | |
| Held to maturity financial assets | | |
| Term deposits | - | - |
| Available for sale financial assets | | |
| Listed investments | 133,366 | 128,683 |
| | **133,366** | **128,683** |

**(a) Classification of financial assets**

The company classifies its financial assets in the following categories:

- loans and receivables,
- held to maturity investments,
- financial assets at fair value through profit or loss, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

## Note 7. Financial assets (continued)

**(a) Classification of financial assets (continued)**

Held to maturity investments

The entity classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the entity intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

**(b) Measurement of financial assets**

At initial recognition, the entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

## Note 7. Financial assets (continued)

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

**(c) Impairment of financial assets**

The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

**(d) Derecognition**

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

| | 2019 $ | 2018 $ |
|---|---|---|

## Note 8. Other assets

| | 2019 $ | 2018 $ |
|---|---|---|
| Prepayments | 5,377 | 4,244 |
| Security bond | - | - |
| Other | - | 48,000 |
| | **5,377** | **52,244** |

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

## Note 9. Property, plant and equipment

| | 2019 $ | | | 2018 $ | | |
|---|---|---|---|---|---|---|
| | **At cost** | **Accumulated depreciation** | **Written down value** | **At cost** | **Accumulated depreciation** | **Written down value** |
| Land | - | - | - | - | - | - |
| Buildings | - | - | - | - | - | - |
| Leasehold improvements | 118,571 | (37,768) | 80,803 | 118,571 | (35,200) | 83,371 |
| Plant and equipment | 112,405 | (95,865) | 16,540 | 113,093 | (97,146) | 15,947 |
| Furniture and fittings | - | - | - | - | - | - |
| Motor vehicles | - | - | - | - | - | - |
| **Total property, plant and equipment** | **230,976** | **(133,633)** | **97,343** | **231,664** | **(132,346)** | **99,318** |

Land and buildings

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

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

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

Plant and equipment (continued)

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

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

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

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

**(a) Capital expenditure commitments**

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

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

| 2019 | Opening written down value $ | Additions $ | Disposals $ | Revaluations $ | Impairments / write-offs $ | Depreciation $ | Closing written down value $ |
|---|---|---|---|---|---|---|---|
| Land | - | - | - | - | - | - | - |
| Buildings | - | - | - | - | - | - | - |
| Leasehold improvements | 83,370 | 59 | - | - | - | (2,626) | 80,803 |
| Plant and equipment | 15,948 | 876 | - | - | - | (5,356) | 11,468 |
| Furniture and fittings | | | - | - | - | | - |
| Motor vehicles | - | - | - | - | - | - | - |
| **Total property, plant and equipment** | **99,318** | **935** | **-** | **-** | **-** | **(7,982)** | **92,271** |

| 2018 | Opening written down value $ | Additions $ | Disposals $ | Revaluations $ | Impairments / write-offs $ | Depreciation $ | Closing written down value $ |
|---|---|---|---|---|---|---|---|
| Land | - | - | - | - | - | - | - |
| Buildings | - | - | - | - | - | - | - |
| Leasehold improvements | 86,053 | - | - | - | - | (2,683) | 83,370 |
| Plant and equipment | 24,961 | 1,565 | - | - | - | (10,578) | 15,948 |
| Furniture and fittings | - | - | - | - | - | - | - |
| Motor vehicles | - | - | - | - | - | - | - |
| **Total property, plant and equipment** | **111,014** | **1,565** | **-** | **-** | **-** | **(13,261)** | **99,318** |

## Note 10. Intangible assets

| | 2019 $ | | | 2018 $ | | |
|---|---|---|---|---|---|---|
| | At cost | Accumulated amortisation | Written down value | At cost | Accumulated amortisation | Written down value |
| Franchise fees | 205,376 | (135,058) | 70,318 | 131,453 | (128,562) | 2,891 |
| Establishment costs | - | - | - | - | - | - |
| **Total intangible assets** | **205,376** | **(135,058)** | **70,318** | **131,453** | **(128,562)** | **2,891** |

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

**Movements in carrying amounts**

| 2019 | Opening written down value $ | Additions $ | Disposals $ | Revaluations $ | Impairments / write-offs $ | Amortisation $ | Closing written down value $ |
|---|---|---|---|---|---|---|---|
| Franchise fees | 1,756 | 73,993 | - | - | - | (5,431) | 70,318 |
| Establishment costs | - | - | - | - | - | - | - |
| **Total intangible assets** | **1,756** | **73,993** | **-** | **-** | **-** | **(5,431)** | **70,318** |

| 2018 | Opening written down value $ | Additions $ | Disposals $ | Revaluations $ | Impairments / write-offs $ | Amortisation $ | Closing written down value $ |
|---|---|---|---|---|---|---|---|
| Franchise fees | 4,047 | - | - | - | - | (1,156) | 2,891 |
| Establishment costs | - | - | - | - | - | | - |
| **Total intangible assets** | **4,047** | **-** | **-** | **-** | **-** | **(1,156)** | **2,891** |

## Note 11. Financial liabilities

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

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

## Note 12. Trade and other payables

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Current** | | |
| Unsecured liabilities: | | |
| Trade creditors | 59,136 | 2,084 |
| Other creditors and accruals | 38,071 | 213,724 |
| | **97,207** | **215,808** |

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

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

## Note 13. Borrowings

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Current** | | |
| Unsecured liabilities | | |
| Bank overdraft | - | - |
| Secured liabilities | | |
| Bank loan | - | - |
| Finance leases | - | - |
| | **-** | **-** |
| **Non-current** | | |
| Unsecured liabilities | | |
| Bank overdraft | - | - |
| Secured liabilities | | |
| Bank loan | - | - |
| Finance leases | - | - |
| | **-** | **-** |
| **Total borrowings** | **-** | **-** |

| | 2019 $ | 2018 $ |
|---|---|---|

## Note 14. Provisions

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current** | | |
| Employee benefits | 54,170 | 50,473 |
| **Non-current** | | |
| Employee benefits | - | - |
| **Total provisions** | **54,170** | **50,473** |

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

## Note 15. Share capital

| | 2019 $ | 2018 $ |
|---|---|---|
| Ordinary shares fully paid | 780,111 | 780,111 |
| Bonus shares issued for no consideration | - | - |
| Less: Equity raising costs | (20,540) | (20,540) |
| | **759,571** | **759,571** |

Ordinary shares are classified as equity.

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

| | 2019 $ | 2018 $ |
|---|---|---|

## Note 15. Share capital (continued)

**(a) Movements in share capital**

| | 2019 $ | 2018 $ |
|---|---|---|
| Fully paid ordinary shares: | | |
| At the beginning of the reporting period | 780,111 | 780,111 |
| Shares issued during the year | - | - |
| **At the end of the reporting period** | **780,111** | **780,111** |

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

**(b) Capital management**

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

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

## Note 16. Retained earnings

| | 2019 $ | 2018 $ |
|---|---|---|
| Balance at the beginning of the reporting period | 189,073 | 141,429 |
| Profit for the year after income tax | 170,962 | 99,668 |
| Revaluation Reserve | 8,720 | 2,584 |
| Dividends paid | (54,283) | (54,608) |
| **Balance at the end of the reporting period** | **314,472** | **189,073** |

# Notes to the financial statements (continued)

| | 2019 $ | 2018 $ |
|---|---|---|

## Note 17. Dividends paid or provided for on ordinary shares

| **Dividends paid or provided for during the year** | | |
|---|---|---|
| Interim and/or final fully franked ordinary dividend of 7 cents per share (2019: 7cps) franked at the tax rate of 27.5% (2019: 27.5%). | 54,283 | 54,608 |

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

| | 2019 $ | 2018 $ |
|---|---|---|

## Note 18. Reserves

| Asset revaluation reserve | | |
|---|---|---|
| Balance at the beginning of the reporting period | - | - |
| Fair value movements during the period | - | - |
| **Balance at the end of the reporting period** | **-** | **-** |

The reserves represent undistributable gains recognised on the revaluation of non-current assets.

| | 2019 $ | 2018 $ |
|---|---|---|

## Note 19. Earnings per share

| | | |
|---|---|---|
| Basic earnings per share (cents) | 21.92 | 12.78 |
| Earnings used in calculating basic earnings per share | 170,962 | 99,668 |
| Weighted average number of ordinary shares used in calculating basic earnings per share. | 780,111 | 780,111 |

<u>Basic earnings per share</u>

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

| | 2019<br>$ | 2018<br>$ |
|---|---|---|

## Note 20. Statement of cash flows

**(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:**

| | 2019 $ | 2018 $ |
|---|---|---|
| Cash and cash equivalents (Note 5) | 845,655 | 901,764 |
| Less bank overdraft (Note 13) | - | - |
| **As per the Statement of Cash Flow** | **845,655** | **901,764** |

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

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit for the year after income tax | 170,962 | 99,668 |
| Non-cash flows in profit | | |
| - Depreciation and amortisation | 13,413 | 13,441 |
| - Bad debts | 264 | 630 |
| - Net (profit) / loss on disposal of property, plant & equipment | - | - |
| Changes in assets and liabilities | | |
| - (Increase) / decrease in trade and other receivables | (30,317) | 12,702 |
| - (increase) / decrease in prepayments and other assets | 46,867 | (37,361) |
| - (Increase) / decrease in deferred tax asset | - | - |
| - Increase / (decrease) in trade and other payables | (118,601) | 157,097 |
| - Increase / (decrease) in current tax liability | (13,019) | 37,805 |
| - Increase / (decrease) in provisions | 3,697 | 44,975 |
| **Net cash flows from operating activities** | **73,266** | **328,957** |

**(c) Credit standby arrangement and loan facilities**

Not applicable

## Note 21. Key management personnel and related party disclosures

**(a) Key management personnel**

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

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

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Short-term employee benefits | - | - |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Share-based payments | - | - |
| **Total key management personnel compensation** | **-** | **-** |

# Notes to the financial statements (continued)

## Note 21. Key management personnel and related party disclosures (continued)

**(a) Key management personnel (continued)**

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Share-based payments

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

**(b) Other related parties**

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

**(c) Transactions with key management personnel and related parties**

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

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

| Name of related party | Description of goods/services | Value $ |
|---|---|---|
| Advance Business Centres | Accounting Services | 15,600 |

The Leopold Community Enterprises Limited have not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch.

## Note 21. Key management personnel and related party disclosures (continued)

**(c) Transactions with key management personnel and related parties (continued)**

The estimated benefits from the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package per Director is as follows:

| | 2019 | 2018 |
|---|---|---|
| Lily Reinert | - | - |
| Paul Madden | - | - |
| Bronwyn Shearer | - | - |
| Bob Reinert | - | - |
| John Leach | - | - |
| Gabrielle Jennings | - | - |
| Dennis More | - | - |
| | **-** | **-** |

**(d) Key management personnel shareholdings**

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

| | 2019 | 2018 |
|---|---|---|
| Janet McIntosh | 72,551 | 72,551 |
| Paul Madden | 26,051 | 26,051 |
| Bob Reinert | 5,051 | 5,051 |
| Lily Reinert | 5,051 | 5,051 |
| | **108,704** | **108,704** |

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

**(e) Other key management transactions**

There has been no other transactions involving equity instruments other than those described above.

## Note 22. Events after the reporting period

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

## Note 23. Contingent liabilities and contingent assets

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

# Notes to the financial statements (continued)

## Note 24. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Leopold, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2019: 100%).

## Note 25. Commitments

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Operating lease commitments** | | |
| Payable: | | |
| - no later than 12 months | Nil | Nil |
| - between 12 months and five years | - | - |
| - greater than five years | - | - |
| **Minimum lease payments** | **-** | **-** |

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

| | | |
|---|---|---|
| **Finance lease commitments** | | |
| Finance lease liabilitis are payable exclusive of GST as follows: | | |
| Payable: | | |
| - no later than 12 months | - | - |
| - between 12 months and five years | - | - |
| - greater than five years | - | - |
| **Minimum lease payments** | **-** | **-** |
| Less future interest charges | - | - |
| **Finance lease liability** | **-** | **-** |

## Note 26. Company details

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Leopold, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2019: 100%).  The registered office is Level 1, 50-58 Moorabool Street, Geelong and principal place of business is Shop 18, 621-659 Bellarine Highway, Leopold.

## Note 27. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

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

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 5 | 845,655 | 901,764 |
| Trade and other receivables | 6 | 108,155 | 77,838 |
| Financial assets | 7 | 133,366 | 128,683 |
| **Total financial assets** | | **1,087,176** | **1,108,285** |
| **Financial liabilities** | | | |
| Trade and other payables | 12 | 97,207 | 215,808 |
| Borrowings | 13 | - | - |
| Bank overdraft | 13 | - | - |
| **Total financial liabilities** | | **97,207** | **215,808** |

**(a) Credit risk**

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

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

Credit risk exposures

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

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

## Note 27. Financial instrument risk (continued)

**(a) Credit risk (continued)**

Credit risk exposures (continued)

None of the assets of the company are past due (2017: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

**(b) Liquidity risk**

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

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

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

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

Financial liability and financial asset maturity analysis:

| 30 June 2019 | Total $ | Within 1 year $ | 1 to 5 years $ | Over 5 years $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 845,655 | 845,655 | - | - |
| Trade and other receivables | 108,155 | 108,155 | - | - |
| Financial assets | 133,366 | 133,366 | - | - |
| **Total anticipated inflows** | **1,087,176** | **1,087,176** | **-** | **-** |
| **Financial liabilities** | | | | |
| Trade and other payables | 97,207 | 97,207 | - | - |
| Borrowings | - | - | - | - |
| Bank overdraft * | - | - | - | - |
| **Total expected outflows** | **97,207** | **97,207** | **-** | **-** |
| **Net inflow / (outflow) on financial instruments** | **989,969** | **989,969** | **-** | **-** |

## Note 27. Financial instrument risk (continued)

**(b) Liquidity risk (continued)**

| 30 June 2018 | Total $ | Within 1 year $ | 1 to 5 years $ | Over 5 years $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 901,764 | 901,764 | - | - |
| Trade and other receivables | 77,838 | 77,838 | - | - |
| Financial assets | 128,683 | 128,683 | - | - |
| **Total anticipated inflows** | **1,108,285** | **1,108,285** | **-** | **-** |
| **Financial liabilities** | | | | |
| Trade and other payables | 215,808 | 215,808 | - | - |
| Borrowings | - | - | - | - |
| Bank overdraft * | - | - | - | - |
| **Total expected outflows** | **215,808** | **215,808** | **-** | **-** |
| **Net inflow / (outflow) on financial instruments** | **892,477** | **892,477** | **-** | **-** |

**(c) Market risk**

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

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company has no exposure to fluctuations in foreign currency, or any exporure to a material price risk.

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

Sensitivity analysis

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

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Profit $ | Equity $ | Profit $ | Equity $ |
| Cash and cash equivalents (i) | 9,790 | 9,790 | 10,304 | 10,304 |
| Financial assets | - | - | - | - |
| **Total financial assets** | **9,790** | **9,790** | **10,304** | **10,304** |

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

# Directors' declaration

In accordance with a resolution of the Directors of Leopold Community Enterprises Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out in this Annual Report are in accordance with the *Corporations Act 2001* and:

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

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

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

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

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

**Lily Reinert**
**Chair**

Signed at Geelong on 30th September 2019

# Independent audit report

Mark SP Wilkinson
ABN 46 472 629 469
*Registered Company Auditor*

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF LEOPOLD COMMUNITY ENTERPRISES LIMITED**
**ABN 39 133 061 800**

**Report on the Financial Report**

I have audited the accompanying financial report of Leopold Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives me a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

*Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Independence*

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Leopold Community Enterprises Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Mark SP Wilkinson
ABN 46 472 629 469
*Registered Company Auditor*

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*Auditor's Opinion*

In my opinion:

(a) the financial report of Leopold Community Enterprises Limited is in accordance with the *Corporations Act 2001*, including:

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

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Mark Stuart Pressland Wilkinson
*Registered Company Auditor 4485*
6 Kintyre Crescent
Leopold Victoria 3224

Dated: 23 August 2019

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