Lockmore Financial Services Ltd

ABN 41 106 113 599

2019 Annual Report

Elmore Community Bank Branch
Lockington Community Bank Branch
Rochester Community Bank Branch

Contents

Chair's report

For year ending 30 June 2019

It is with great pleasure that I present to you the Lockmore Financial Services Ltd Annual Report for the year ending 30 June 2019. Partnering with Australia's fifth largest bank, we're proud of the contribution we make to what is one of Australia's most trusted brands.

Our results at a glance

Your Community Bank branch has again achieved positive headline financial results that you can read more about in this report. Ongoing competition for customers amongst banks and continuing low interest rates have created challenging operating conditions for our company however we have worked hard to maintain a strong position.

At a glance, as of 30 June 2019 we had $197 million of banking business across our three branches. Our revenue for the year grew to $1,411 million representing a 1% increase on last year. We have continued to keep a close eye on our expenses resulting in a decrease of 1%, before allowing for donations, sponsorship, advertising, and promotions. This area recorded a slight decrease with a spend of $147,105 on supporting community priorities and growing our business.

As an overall result we have posted a profit of $77,271 after tax for the year, which is a 53% increase on our 2017/18 profit and follows more than doubling our profit in the year prior. It is pleasing to see this sustained profit growth.

Our work supporting community

In amongst these positive headline results we have maintained our focus on ensuring a return to our communities. We continue to be a strong local employer, we made a dividend payment of 4c per share late in 2018 (an increase of 1c per share on the year prior), and we returned around $120,000 to our communities in sponsorship across the year, with $30,000 more committed to 15th Birthday projects in Elmore and Lockington but not yet spent.

Through two rounds of our Community Sponsorship Program we helped to support the fabric of our communities by contributing to the important work of our community groups, essential service groups, and business development organisations including:

Anglican Parish of Rochester/Lockington	Lockington & District Senior Citizens Club
Bamawm Extension Fire Brigade	Lockington Kindergarten
Bamawm Golf Club	Nanneella Estate Primary School
Calivil Bowling Club	Nanneella Playgroup
Campervan & Motorhome Club of Australia	Rich River Campdraft
Elmore Bowls Club	Rochester & District Horse & Pony Club
Elmore Football Netball Club	Rochester Basketball Association
Elmore Golf Bowls Country Club	Rochester Bowls Club
Elmore Harness Racing Club	Rochester Community House
Elmore Primary School	Rochester Football Netball Club
Elmore RSL	Rochester Golf Club
Kamarooka Welfare League	Rochester Historical & Pioneer Society Inc.
Lockington Bamawm United Tennis Club	Rochester Motoring Club

Lockington Bamawm United Football Netball Club	Rochester Primary School
Lockington Bowls Club	Rochester Secondary College
Lockington Bush Nursing Centre	Rotary Club of Rochester
Lockington Community Care Committee	Strathallan Glider Sanctuary
Lockington CFA	Strathallan Hall Committee
Lockington Public Hall Committee of Management	

We also partnered for success by maintaining our partnership with Campaspe Shire and the Rochester community to help bring the Rochester Economic Development Plan to life. Our contribution over three years of sponsorship, alongside funding from the Campaspe Shire, has allowed Rochester community leaders to deliver projects that create a brighter future for the town after the Murray Goulburn closure. On the back of this foundational work, the partnership secured approximately $1.5 million in Federal Government grants to progress some of the bigger priorities in the Plan.

Our long running partnership with the Elmore Field Days continued and we are proud of what we have been able to achieve together over time. We again provided cash sponsorship and prizes to the Ag Art Competition and out of hours cash handling and counting support, amongst other things. The Campaspe Academy of Sport, a specialised sporting program at Rochester Secondary College, also continued to receive our support. The Academy delivers a program that introduces students to all aspects of elite sports coaching from skills and nutrition to health and wellbeing and continues to provide opportunities for our region's talented youth to achieve their sporting potential.

Perhaps most excitingly, we have been part of enabling big ideas that will benefit our towns by making small contributions that are the catalyst for bigger things. In celebrating our 15th birthday in Elmore and Lockington we provided a minimum of $15,000 to progress a community priority. Both communities have used the confidence provided by these committed funds to identify and progress priority projects – a Community Hub in Elmore and a rail trail in Lockington.

We are also proud to be a partner in Bendigo Bank House; a new short-term, affordable and subsidised accommodation facility at Bendigo Hospital for regional patients, their carers and families who need to be away from home while being treated at the hospital. Since opening in July 2018 the two rooms in the facility that we sponsor have provided patients with a place to stay on 382 nights.

Our team

We are a strong team at Lockmore Financial Services Ltd and our achievements are made possible by the commitment and passion of our team of staff and Directors. These are the people who are the face of our company and provide our customers and our community with such wonderful service.

I would like to recognise the hard work of our branch staff team. We have seen a changing of the guard across the last year as we welcomed Alex Rosaia to the team as our new Branch Manager and farewelled Tracie Kyne from the role. Despite the changes our team has worked together to keep our business growing and ensure that we provide exceptional service to our customers. At 30 June 2019 we employed a team of 13 branch staff passionate about the prosperity of our communities. I also need to recognise the team who work behind the scenes to keep our company running – Sandra Wade, our Administration and Marketing Coordinator, Meagan Keating, our Marketing Consultant and Leo Bruinier, our Business Consultant.

I also extend a sincere thank you to the Directors who have contributed to your Community Bank company this year. The Board continues to work together as a team, and with our partner Bendigo and Adelaide Bank Limited, balances the sustainability, compliance and performance of the company with the needs of our communities. I take this opportunity to commend Cori Holmberg and Graeme Wood, foundation Directors of Lockmore Financial Services Limited who both retired from the Board at our last AGM, for their service. Their commitment to the company has been outstanding and their impact on our communities profound. Tim Rasmussen and Alan Darbyshire both resigned from the Board across the year and I thank them for their guidance and roles in representing the Rochester community. Shari Rankin joined us briefly however a change in circumstances saw her depart the Board. During the year we also welcomed Anna Trewick as a new Director and in a short space of time she has made a big difference.

Our plan for the future

We have seen sustained positive results over recent years and we have been pleased to be able to grow our contribution to the success of our communities. Our original branches in Elmore and Lockington have celebrated 15 years of service to our communities and we have returned more than $1.6 million to our communities in that time. That’s a solid base for us to build on.

We will support the fabric of our communities with a focus on community groups, essential services and business development; we will partner for success by being approachable and open to new opportunities; and we will identify and enable big ideas for our towns. We will also continue to respect our customers; identify and tailor banking solutions to their needs; and we will create and nurture customer advocates for your Community Bank branches. We continue to work closely with our partner, Bendigo and Adelaide Bank Limited, on ways to improve the customer experience. As a company we will focus on being a strong team of exceptional individuals; we will be compliant and sustainable; and we will maximise our profits for the benefits of our shareholders and our communities.

Specific priorities include supporting our new staff team, growing our rural business through a partnership with Rural Bank, reinvigorating our presence in Elmore and Lockington and continuing to service strong demand in Rochester.

Thank you

I have said this in each Chair’s report that I’ve written but we can never forget where we came from, who made our company possible and who contributes the most to our success.

Thank you to our shareholders who had the confidence to get this company going at Elmore and Lockington and to make it bigger and better at Rochester some time later. You have been part of creating something special and we trust that the returns to you and to your communities we have been able to provide so far have been satisfying to see. I put the challenge to you now to take the time to help us grow your business. If every single one of our 762 shareholders referred one customer to us imagine the growth to our business and to your investment - and ultimately, the benefit to your community with a greater pool of funds to distribute to community groups and projects.

Thank you also to our 4,168 customers – you play the most important part of all – because it matters where you bank. When you make the choice to bank with your local Community Bank branch, you help to support your community. The more customers who choose to bank with us, and the more products that each customer has with us, the more money we make. The more money we make, the more we can reinvest in the community and we have seen some fantastic results from these investments over the last twelve months.

Our model has been held up as an example of a great way of doing business and we are proud to be part of it.

Brad Drust
Chair

Manager's report

For year ending 30 June 2019

It is with great honour that I present my first Branch Manager's report for Lockmore Financial Services Ltd. I thank the Directors for giving me the opportunity to lead Elmore, Lockington & Rochester Community Bank branches and I thank the Board and the branch team for making me feel welcome.

Currently the business holds $197 million in footings which includes lending, deposits, business, insurance and other products and services. Given the current banking environment, we are pleased that our financial book has remained steady.

I believe this is a solid result and proves we can hold our place as the fifth largest retail bank and a competitive alternative to the other four.

While other banks continue to close their doors to their communities, we continue to be committed to helping you in our branches with all your banking needs.

In summary, as at the end of 2018/19 financial year, the combined branch business is noted as:

- Loan business $73.5 million
- Deposit business $84.5 million
- Wealth products $19.3 million
- Other business $19.8 million
- Total business $197.1 million

Helping our communities to achieve is fantastic, but we are also operating a financial business and this requires us to provide our customers with up to date products, competitive pricing and excellent customer service to meet their financial needs. Our team at Elmore, Lockington and Rochester branches provide our customers with a level of service that is second to none. We are fortunate to have such a great team and I thank them immensely for their efforts over the past 12 months.

Staff updates:

During the 2018/19 year:

- Tracie Kyne left to pursue her career at Bendigo Bank Head Office
- Kelly Viney left in January 2019 and gained full time employment elsewhere
- Lily Wareham started as a Trainee
- Alison Cooper from Echuca began working in March 2019 as a Customer Relationship Manager
- Amanda Flood from Goornong began working in December 2018 as a Customer Service Officer
- Michelle Spence left Lockmore in August 2018
- Jaime Dingwall left for full time employment elsewhere
- David Gray retired and is travelling the countryside in his caravan.

I'd like to congratulate the current team of Helen Barker, Alison Cooper, Fiona Cuttriss, Amanda Flood, Helen McCaskie, Lauren McKee, Kerri McPhee, Tanya Niven, Rachel Plant, Tish Serpell, Lily Wareham and Wendy Wright, and thank them for their continued support. They do an amazing job supporting our customers and communities.

Manager’s report (continued)

One of the advantages customers experience when banking with us is access to local dedicated staff who specialise in Business Banking, Agribusiness and Home Lending. We are committed to providing these products at a local level. There’s no need to travel to the cities to receive this type of service, we come to you.

Once again, I would like to thank Lockmore Financial Services Ltd’s Board of Directors who play a vital role in advocating for the branch in the community and supporting us with governance, strategic direction and as a sounding board for our ideas. I also thank Sandra Wade, Meagan Keating and Leo Bruinier for their administration support.

A big thank you to all our customers and shareholders for their continued support.

To all our community groups that have successfully gained sponsorship or grants through our Community Sponsorship Program over the past 15 years, please spread our wonderful story to your members and committees. The more people who support us with their banking, the more profit we make and the more funds we have to invest back into our much loved communities.

Alex Rosaia
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2019

As a Bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local Board of Directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local Branch Manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and Directors in developing your business and supporting the communities that you live and work in.

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors’ report

For the financial year ended 30 June 2019

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

Directors

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

Bradley Adrian Drust

Company Chair

Occupation: Chief Executive Officer

Qualifications, experience and expertise: Over 16 years’ experience in natural resource management in technical and management roles. Currently Chief Executive Officer at the North Central Catchment Authority, leading the organisation to deliver a range of community, environment and compliance programs. Bachelors of Arts (Geography) / Bachelors of Science (Environmental Science) and Masters of Business Administration. Also Chairperson of the Elmore Swimming Pool Committee of Management.

Committees: Chair, Human Resources, Risk & Audit and Facilities

Interest in shares: Nil

Patrick Augustine Rochford

Director

Occupation: Accountant, Farmer

Qualifications, experience and expertise: Bachelor of Business (Accounting), small business experience in the farming sector with both dairy and beef. Worked in large water organisation in both accounting & governance. Experience in Community Consultation, Chair of the Farm & Environment Working Group, Goulburn Broken Catchment Management Authority, member of Shepparton Irrigation Region People & Planning Integration Committee (SIRPPIC).

Committees: Nil

Interest in shares: Nil

Rebecca Christine Crawford

Director

Occupation: Administration

Qualifications, experience and expertise: Attended local school, pharmacy traineeship in Rochester, hairdressing apprenticeship in Lockington, then administration at Murray Goulburn. Currently bringing up two children. Involvement in many sporting and community groups in varying roles. Believes that our district offers something for all ages and looks forward to future involvement.

Committees: Marketing

Interest in shares: Nil

Directors (continued)

Ian Anthony Maddison

Vice Chair (Appointed 10 July 2018)

Occupation: Livestock Agent

Qualifications, experience and expertise: Principal of Maddison Livestock & Property Pty Ltd (2002 - 2018), managing 10 full time and part time employees. Business Manager of Gippsland & Northern / Dalgety's / Wesfarmers Echuca (1992 - 2002). Dairy Farmer from 1980 to 1990. Committee member of Lockington Bamawm United Football Netball Club Inc. including 3 years as President. Two terms as Campaspe Shire Councillor, including two years as Mayor. Eighteen month Board member for Echuca Community For the Aged. Married to Kathi for 45 years with 5 children and 11 grandchildren.

Special responsibilities: Acting Chair

Committees: Facilities

Interest in shares: Nil

Annemarie Martin Trewick

Director (Appointed 10 September 2018)

Occupation: Farmer

Qualifications, experience and expertise: Over 20 years working in various roles in the rural water industry. Currently a partner in our family farm, doing the accounts. Member of the Ag Art committee (Elmore Field Days), assisted the EFNC to obtain new lighting and have many roles in the local Primary School, Preschool, EFD catering.

Committees: Human Resources, Marketing

Interest in shares: 3,000

Shari Eve Rankin

Director (Appointed 12 November 2018)

Occupation: Project Manager

Qualifications, experience and expertise: Time spent working in Oil and Gas Company, Farming, Environmental/ Cultural Heritage and Community Leadership and has a unique perspective on Business/Farming.

Committees: Marketing, Risk & Audit

Interest in shares: Nil

Graeme Trevor Wood

Company Secretary (Retired 25 October 2018)

Occupation: Farmer

Qualifications, experience and expertise: Formerly involved in many community groups including president of the school council, office bearer APEX Club and currently Treasurer of Lockington Community Care Committee Inc. Director since 2003.

Committees: Facilities, Share Registry Officer

Interest in shares: 626

Corinne Gaye Holmberg

Director (Retired 26 October 2018)

Occupation: Retired

Qualifications, experience and expertise: Retired Administrator & business partner, background in office management positions in which financial book keeping was a responsibility. Has been actively involved in community organisations often holding executive positions. Director since 2003, Treasurer from 2006 to 2014.

Committees: Marketing

Interest in shares: 3,751

Directors (continued)

Timothy James Rasmussen

Director, Company Secretary November - March 2019 (Resigned 5 March 2019)

Occupation: Financial Advisor

Qualifications, experience and expertise: Bachelor of Commerce, Diploma in Financial Planning, worked in the printing industry for 15 years. Financial Adviser (3 years). Involved in local sport (cricket and football).

Committees: Facilities

Interest in shares: Nil

Alan Keith Darbyshire

Treasurer July 2018-June 2019 (Resigned 30 June 2019)

Occupation: Accountant

Qualifications, experience and expertise: CPA (Fellow) / Tax Agent / Registered Company Auditor. Extensive involvement in community groups. Accounting, Governance, Auditing and Management skills. Alan was appointed as Treasurer on the 12th February 2018.

Committees: Risk & Audit

Interest in shares: 10,000

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

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

Company Secretary

The Board appointed Sandra Joy Wade as the company Secretary on 20 March 2019 after Graeme Trevor Wood retired from the position in October 2018, and Timothy Rasmussen resigned from the position in March 2019.

Qualifications, experience and expertise: Sandra has had 40 years in administrative and personal assistant roles and has been Administration/Marketing Coordinator for Lockmore Financial Services Ltd for over 4 years.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
77,271	50,630

Dividends

	Year ended 30 June 2019	
	Cents	$
Dividends paid in the year	4	63,569

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible to attend	**Number attended**
Bradley Adrian Drust	11	11
Patrick Augustine Rochford	11	5
Rebecca Christine Crawford	11	11
Ian Anthony Maddison (Appointed 10 July 2018)	11	11
Annemarie Martin Trewick (Appointed 10 September 2018)	9	9
Shari Eve Rankin (Appointed 12 November 2018)	7	3
Graeme Trevor Wood (Retired 25 October 2018)	4	4
Corinne Gaye Holmberg (Retired 26 October 2018)	4	2
Timothy James Rasmussen (Resigned 5 March 2019)	7	7
Alan Keith Darbyshire (Resigned 30 June 2019)	11	9

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the board of directors at Elmore, Victoria on 17 September 2019.

Bradley Adrian Drust
Chair

Auditor's independence declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Lockmore Financial Services Limited

As lead auditor for the audit of Lockmore Financial Services Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 17 September 2019

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

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

Financial statements

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

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	1,410,856	1,397,962
Employee benefits expense		(795,154)	(819,125)
Charitable donations, sponsorship, advertising and promotion		(147,105)	(159,277)
Occupancy and associated costs		(76,330)	(71,436)
Systems costs		(63,676)	(58,963)
Depreciation and amortisation expense	5	(48,708)	(54,344)
General administration expenses		(170,930)	(164,935)
Profit before income tax expense		**108,953**	**69,882**
Income tax expense	6	(31,682)	(19,252)
Profit after income tax expense		**77,271**	**50,630**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**77,271**	**50,630**
Earnings per share		**¢**	**¢**
Basic earnings per share	22	4.86	3.19

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	602,351	567,553
Trade and other receivables	8	113,668	128,051
Total current assets		**716,019**	**695,604**
Non-current assets			
Property, plant and equipment	9	192,845	201,046
Intangible assets	10	76,256	103,118
Deferred tax asset	11	4,225	14,827
Total non-current assets		**273,326**	**318,991**
Total assets		**989,345**	**1,014,595**
LIABILITIES			
Current liabilities			
Trade and other payables	12	63,025	72,628
Current tax liabilities	11	5,358	9,557
Provisions	13	66,961	92,742
Total current liabilities		**135,344**	**174,927**
Non-current liabilities			
Provisions	13	13,584	12,953
Total non-current liabilities		**13,584**	**12,953**
Total liabilities		**148,928**	**187,880**
Net assets		**840,417**	**826,715**
EQUITY			
Issued capital	14	1,344,664	1,344,664
Accumulated losses	15	(504,247)	(517,949)
Total equity		**840,417**	**826,715**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017		1,344,664	(520,902)	823,762
Total comprehensive income for the year		-	50,630	50,630
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(47,677)	(47,677)
Balance at 30 June 2018		**1,344,664**	**(517,949)**	**826,715**
Balance at 1 July 2018		1,344,664	(517,949)	826,715
Total comprehensive income for the year		-	77,271	77,271
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(63,569)	(63,569)
Balance at 30 June 2019		**1,344,664**	**(504,247)**	**840,417**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,551,789	1,506,209
Payments to suppliers and employees		(1,425,006)	(1,400,314)
Interest received		10,508	11,580
Income taxes paid		(25,279)	(21,908)
Net cash provided by operating activities	**16**	**112,012**	**95,567**
Cash flows from investing activities			
Payments for property, plant and equipment		(13,645)	(23,965)
Payments for intangible assets		-	(67,153)
Net cash used in investing activities		**(13,645)**	**(91,118)**
Cash flows from financing activities			
Dividends paid	20	(63,569)	(47,677)
Net cash used in financing activities		**(63,569)**	**(47,677)**
Net increase/(decrease) in cash held		**34,798**	**(43,228)**
Cash and cash equivalents at the beginning of the financial year		567,553	610,781
Cash and cash equivalents at the end of the financial year	**7(a)**	**602,351**	**567,553**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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

<u>Historical cost convention</u>

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

<u>Comparative figures</u>

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

<u>Application of new and amended accounting standards</u>

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

<u>AASB 15 Revenue from Contracts with Customers</u>

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

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

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

AASB 9 Financial Instruments

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

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

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $476,796.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branches at Elmore, Lockington and Rochester, Victoria.

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

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank 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 manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

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

Revenue calculation

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements 5 - 15 years
- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

(ii) Financial assets (continued)

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment (continued)

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

m) Provisions

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

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

n) Issued Capital

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

Note 1. Summary of significant accounting policies (continued)

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

<u>Expected credit loss assessment for Bendigo and Adelaide Bank Limited</u>

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

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

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

Note 2. Financial risk management (continued)

Expected credit loss assessment for Bendigo and Adelaide Bank Limited (continued)

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

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

<u>Taxation</u>

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

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

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

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

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

<u>Impairment of assets</u>

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

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

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

	2019 $	**2018 $**

Note 4. Revenue from ordinary activities

Operating activities:		
- gross margin	1,074,581	1,036,285
- services commissions	171,420	177,617
- fee income	94,469	105,003
- market development fund	60,000	60,417
Total revenue from operating activities	**1,400,470**	**1,379,322**
Non-operating activities:		
- interest received	10,386	11,182
- other revenue	-	7,458
Total revenue from non-operating activities	**10,386**	**18,640**
Total revenues from ordinary activities	**1,410,856**	**1,397,962**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	4,674	5,325
- leasehold improvements	8,744	13,500
- motor vehicle	8,429	8,658
Amortisation of non-current assets:		
- franchise agreement	4,477	3,659
- franchise renewal fee	22,384	19,702
- establishment fee	-	3,500
	48,708	**54,344**
Bad debts	**1,645**	**157**

	2019 $	2018 $

Note 6. Income tax expense

	2019 $	2018 $
The components of tax expense comprise:		
- Current tax	21,080	19,777
- Movement in deferred tax	10,602	(525)
	31,682	**19,252**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	108,953	69,882
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	29,962	19,217
Add tax effect of:		
- non-deductible expenses	1,720	35
- timing difference expenses	(10,602)	2,576
- other deductible expenses	-	(2,051)
	21,080	**19,777**
Movement in deferred tax	10,602	(525)
	31,682	**19,252**

Note 7. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	302,351	267,553
Term deposits	300,000	300,000
	602,351	**567,553**

Note 7.(a) Reconciliation to cash flow statement

	2019 $	2018 $
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	302,351	267,553
Term deposits	300,000	300,000
	602,351	**567,553**

Note 8. Trade and other receivables

	2019 $	2018 $
Trade receivables	98,657	109,860
Prepayments	12,512	15,570
Other receivables and accruals	2,499	2,621
	113,668	**128,051**

	2019 $	2018 $

Note 9. Property, plant and equipment

	2019 $	2018 $
Leasehold improvements		
At cost	309,912	309,912
Less accumulated depreciation	(174,918)	(166,174)
	134,994	**143,738**
Plant and equipment		
At cost	151,615	137,969
Less accumulated depreciation	(122,586)	(117,912)
	29,029	**20,057**
Motor vehicles		
At cost	42,147	42,147
Less accumulated depreciation	(13,325)	(4,896)
	28,822	**37,251**
Total written down amount	**192,845**	**201,046**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	143,738	157,238
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,744)	(13,500)
Carrying amount at end	**134,994**	**143,738**
Plant and equipment		
Carrying amount at beginning	20,057	25,382
Additions	13,646	-
Disposals	-	-
Less: depreciation expense	(4,674)	(5,325)
Carrying amount at end	**29,029**	**20,057**
Motor vehicles		
Carrying amount at beginning	37,251	14,486
Additions	-	(2,434)
Disposals	-	-
Less: depreciation expense	(8,429)	25,199
Carrying amount at end	**28,822**	**37,251**
Total written down amount	**192,845**	**201,046**

	2019 $	2018 $

Note 10. Intangible assets

	2019 $	2018 $
Establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(70,000)	(70,000)
	-	-
Franchise fee		
At cost	108,984	108,984
Less: accumulated amortisation	(98,538)	(94,061)
	10,446	**14,923**
Renewal processing fee		
At cost	194,922	194,922
Less: accumulated amortisation	(142,692)	(120,307)
	52,230	**74,615**
Agency Costs - payout		
At cost	**13,580**	**13,580**
Total written down amount	**76,256**	**103,118**

Note 11. Tax

	2019 $	2018 $
Current:		
Income tax payable	**5,358**	**9,557**
Non-current:		
Deferred tax assets		
- accruals	1,045	1,018
- employee provisions	22,150	29,065
	23,195	**30,083**
Deferred tax liability		
- accruals	687	721
- property, plant and equipment	18,283	14,535
	18,970	**15,256**
Net deferred tax asset	**4,225**	**14,827**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**10,602**	**4,853**

	2019 $	2018 $

Note 12. Trade and other payables

	2019 $	2018 $
Current:		
Trade creditors	50,864	57,724
Other creditors and accruals	12,161	14,904
	63,025	**72,628**

Note 13. Provisions

	2019 $	2018 $
Current:		
Provision for annual leave	41,855	47,701
Provision for long service leave	25,106	45,041
	66,961	**92,742**
Non-current:		
Provision for long service leave	**13,584**	**12,953**

Note 14. Issued capital

	2019 $	2018 $
1,589,227 ordinary shares fully paid (2018: 1,589,227)	1,409,233	1,409,233
Less: equity raising expenses (Elmore/Lockington)	(29,553)	(29,553)
Less: equity raising expenses (Rochester)	(35,016)	(35,016)
	1,344,664	**1,344,664**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

Note 14. Issued capital (continued)

Rights attached to shares (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 694. As at the date of this report, the company had 765 shareholders.

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

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

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

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

Note 15. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the financial year	(517,949)	(520,902)
Net profit from ordinary activities after income tax	77,271	50,630
Dividends paid or provided for	(63,569)	(47,677)
Balance at the end of the financial year	**(504,247)**	**(517,949)**

	2019 $	2018 $

Note 16. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

	2019 $	2018 $
Profit from ordinary activities after income tax	77,271	50,630
Non cash items:		
- depreciation	21,847	27,483
- amortisation	26,861	26,861
- gain on disposal of asset	-	(7,458)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	14,382	(6,464)
- (increase)/decrease in other assets	10,602	(525)
- increase/(decrease) in payables	(9,602)	(2,034)
- increase/(decrease) in provisions	(25,150)	9,205
- increase/(decrease) in current tax liabilities	(4,199)	(2,131)
Net cash flows provided by operating activities	**112,012**	**95,567**

Note 17. Leases

Operating lease commitments

	2019 $	2018 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	41,922	22,102
- between 12 months and 5 years	148,754	-
	190,676	**22,102**

The Elmore Branch lease is a non-cancellable lease with a five-year term commencing 1 December 2018, with rent payable monthly in advance. The rent is reviewed annually with increases in line with CPI.

The Lockington Branch lease is a non-cancellable lease with a five-year term commencing 3 March 2014, with rent payable monthly in advance. The rent is reviewed annually with increases in line with CPI.

The Rochester Branch lease is a non-cancellable lease which was renewed on 4 December 2013 for a five-year term. The rent is reviewed annually with increases in line with CPI, rent payable monthly in advance.

	2019 $	2018 $

Note 18. Auditor's remuneration

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

	2019 $	2018 $
- audit and review services	5,900	5,800
- share registry services	7,245	7,372
- non audit services	3,425	3,120
	16,570	**16,292**

Note 19. Director and related party disclosures

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

Bradley Adrian Drust
Patrick Augustine Rochford
Rebecca Christine Crawford
Ian Anthony Maddison (Appointed 10 July 2018)
Annemarie Martin Trewick (Appointed 10 September 2018)
Shari Eve Rankin (Appointed 12 November 2018)
Graeme Trevor Wood (Retired 25 October 2018)
Corinne Gaye Holmberg (Retired 26 October 2018)
Timothy James Rasmussen (Resigned 5 March 2019)
Alan Keith Darbyshire (Resigned 30 June 2019)

No director or related entity has entered into a material contract with the company.

Directors' Shareholdings	**2019**	**2018**
Bradley Adrian Drust	-	-
Patrick Augustine Rochford	-	-
Rebecca Christine Crawford	-	-
Ian Anthony Maddison (Appointed 10 July 2018)	-	-
Annemarie Martin Trewick (Appointed 10 September 2018)	3,000	-
Shari Eve Rankin (Appointed 12 November 2018)	-	-
Graeme Trevor Wood (Retired 25 October 2018)	626	626
Corinne Gaye Holmberg (Retired 26 October 2018)	3,751	3,751
Timothy James Rasmussen (Resigned 5 March 2019)	-	-
Alan Keith Darbyshire (Resigned 30 June 2019)	10,000	10,000

There was no movement in directors' shareholdings during the year.

	2019 $	2018 $

Note 20. Dividends provided for or paid

	2019 $	2018 $
a. Dividends paid during the year		
Current year dividend		
100% (2018: 100%) franked dividend - 4 cents (2018: 3 cents) per share	**63,569**	**47,677**
The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	29,543	28,376
- franking credits that will arise from payment of income tax as at the end of the financial year	5,358	9,557
Franking credits available for future financial reporting periods:	**34,901**	**37,933**
Net franking credits available	**34,901**	**37,933**

Note 21. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

	2019 $	2018 $
Bradley Adrian Drust	1,200	1,200
Patrick Augustine Rochford	600	600
Rebecca Christine Crawford	600	600
Ian Anthony Maddison (Appointed 10 July 2018)	600	-
Annemarie Martin Trewick (Appointed 10 September 2018)	-	-
Shari Eve Rankin (Appointed 12 November 2018)	-	-
Graeme Trevor Wood (Retired 25 October 2018)	-	600
Corinne Gaye Holmberg (Retired 26 October 2018)	-	600
Timothy James Rasmussen (Resigned 5 March 2019)	-	600
Alan Keith Darbyshire (Resigned 30 June 2019)	-	600
	3,000	**4,800**

Note 22. Earnings per share

	2019 $	2018 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	77,271	50,630

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,589,227	1,589,227

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office
62 Railway Place
Elmore Vic 3558

Principal Place of Business
62 Railway Place
Elmore Vic 3558

9-11 Lockington Road
Lockington Vic 3563

24 Gillies Street
Rochester Vic 3561

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 %**	**2018 %**
Financial assets												
Cash and cash equivalents	302,351	267,553	300,000	300,000	-	-	-	-	-	-	1.79	1.85
Receivables	-	-	-	-	-	-	-	-	98,657	109,860	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	50,864	57,724	N/A	N/A

Note 27. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	6,024	5,676
Decrease in interest rate by 1%	6,024	5,676
Change in equity		
Increase in interest rate by 1%	6,024	5,676
Decrease in interest rate by 1%	6,024	5,676

Directors' declaration

In accordance with a resolution of the directors of Lockmore Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

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

Bradley Adrian Drust
Chair

Signed on the 17th of September 2019.

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
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Independent auditor's report to the members of Lockmore Financial Services Limited

Report on the audit of the financial report

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

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

What we have audited
Lockmore Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 17 September 2019

Joshua Griffin
Lead Auditor

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ABN: 41 106 113 599

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