Annual Report 2019

Macedon Ranges Community Enterprises Ltd

Gisborne & District Community Bank Branch

ABN 57 130 493 499

Contents

Chair’s report

For year ending 30 June 2019

In November 2018 we completed our 10th year of operations and thanks to your support and increased customer numbers, we have managed to create a number of milestones:

- Returned over $1 million to community groups community investments
- Set aside an additional $275,000 into a Community Enterprise Foundation trust
- account for future local investments
- Distributed over $300,000 in dividends to our local shareholders
- Established a business whose annual revenues now exceed $1.3 million and with a steadily increasing customer base
- Shareholder equity is close to exceeding the company’s issued capital

Directors are therefore pleased to advise that we have a successful, well-established and maturing business that is meeting its prospectus goals. We also now operate in a location that has a better appreciation of the benefits that accrue to our community from their individual support of their local Community Bank branch.

Your Board continues to have a strong and friendly working relationship with our partners at Bendigo and Adelaide Bank who are supportive of our strategies in growing and developing our Community Bank model. Bendigo and Adelaide Bank, Australia’s 5th largest bank, is consistently ranked as one of Australia’s most trusted brands and the top-rated bank for customer experience. This has assisted the branch in growing customer numbers, which in turn allows us to increase our “community dividend” via grants to many local sporting, cultural and not-for-profit groups.

Operations

Revenue grew by 12.6% to $1.3m; operating expenses increased by 9.1% resulting in a 21.1% increase in operating profit before community investments. Profit after tax increased by 28.7%; increasing earnings per share to 16.67 an increase of 27.6%. Mortgage and Loan portfolio grew by 13.4% to $197m Community investments amounted to $177,483 ($205,156) a 13.5% decrease on the prior year; while $80,000 was transferred to our account with Community Enterprise Foundation®, increasing that account to $275,574 for allocation towards future charitable projects.

Given our strong financial result for the current year and our positive outlook for the future, Directors are pleased to advise that a fully franked dividend of 9 cents per ordinary share has been declared for this year, a 12.5% increase over the prior year.

Looking forward

Directors have a positive view in regards to sustained short/mid-term growth in the region and for our business. During the past year we renewed our Franchise Agreement with Bendigo Adelaide Bank and invested in the refurbishment of the Branch premises. As our business has grown, so have our administrative demands. Our current year budget provides for additional administrative costs to ameliorate some of the hours that our volunteer directors provide in delivering a positive company result; and in providing directors with professional training that assists in corporate governance. A planning day was held in August to assist in this process.

Chair’s report *(continued)*

Community Investments

We are pleased to report another year of beneficial investments in local groups and community activities. Some of the highlights are listed below:

- For the 5th year in a row, we were joint major sponsor of the Macedon Ranges Business Excellence Awards. This is a great opportunity to assist local businesses improve their business plans and expand their enterprises; both of which assist local employment and infrastructure.
- $15,000 towards funding a piece of playground equipment in the Riddells Creek Lions Park; this completes their 5-year park upgrade programme.
- $26,000 funding 5 tertiary scholarships; including 3 students who commenced university studies in 2019. We are proud to have assisted 10 students in this manner, to date.
- 3 more local year 10 and 11 students were provided flights, accommodation and registration to attend a 5-day Magic Moments Youth Leadership & Business Summit in Sydney.
- Funding 3 Mental Health First Aid courses within our catchment (delivered by PS My Family Matters)
- A $15,000 contribution to Gisborne Soccer Club for infrastructure at Dixon Field
- Funding the refurbishment of the Gisborne CFA’s local tanker ($15,000) which was delivered in time for the 2018/19 fire season
- Funding a number of cultural events, including Macedon Ranges Music Festival, ANZAC Dawn Service at Mt Macedon Memorial Cross, The Mount Players and the Riddell street fair last November.

Our Team

In March, Directors were delighted to announce the appointment of Sarah Barton as Branch Manager. Sarah has not only continued her very strong lending regime, with assistance from Angela Dickins; but also taken on the added duties of branch management. The strong branch performance is a testament to Sarah, and her team’s application & dedication to customer service. We also welcomed Jodie Schinck and Nicole Morvell to Gisborne and were delighted to have Zoe Olive back at the branch after a few months away; and Michelle Morrison is ever-present with great customer service and a smile. On your behalf, I thank all staff for a great team effort and result. It is also opportune to record our thanks to Janette Nixon, who retired last October after 10 years’ service at our branch.

Directors

Adam McKie & Brian Collins both retired from our Board at our November AGM. While both were thanked at the time for their service, it is pertinent to note the inordinate contribution Brian Collins made to our company’s establishment and success. Michelle Jones also resigned from the Board during the past year. On your behalf, I wish to recognise all of them for their assistance in our success to date. At our previous AGM Corinne Shaddock, Dominic Andreacchio and Sarah Matthee were elected as Directors. Your Board also appointed Erin McKinnon and Jamie Byron mid-year, to fill casual Board vacancies; both having previously attended several meetings as observers. All new Directors have contributed strongly since their appointment.

From my perspective, I would specifically acknowledge the untiring efforts and contribution to our operations of Gary McSwain (Company Secretary & Executive Officer); and also, the efforts of Karen Clifford (until recently, Chair of our Marketing & Community Investment Committee); Andrew Nicoll (Treasurer); Dominic Andreacchio (Chair, Human Resources Committee) and Corinne Shaddock (Public Relations & Marketing Officer). Their contributions enable the company to function smoothly; facilitate the delivery of our community investments; and allow us to continue to enhance our local community. Thank you, all.

Graham Stewart
Chair

Manager’s report

For year ending 30 June 2019

It is with great pleasure that I look back over the last 12 months at what the Gisborne and District Community Bank Branch has achieved; and, in what it has delivered to our community since its inception in November 2008.

Partnering with Australia’s fifth largest bank, we’re proud of the positive contribution that our branch makes to one of Australia’s most trusted brands.

During the 2019 financial year we expanded our overall “book” by $23.3m; $14.1m in lending and $9.2m growth in deposits. Another consistent year of growth with our customer numbers increasing by 9%; which was above the national average. The Gisborne branch has now grown its footings to over $196million since its inception in 2008, which is an amazing effort.

With this healthy financial position, thanks to your support, we were able to provide employment for locals, pay an increased dividend to our shareholders and reach a milestone in giving back over $1 million in community investments to the local community. The expansion of our customer base will grow your investment return and our re-investment in the local community this year, and in the years to come.

It was a very exciting year for me, as I was appointed Branch Manager and we renovated the branch to a new look. And, at our 10th birthday celebrations in November, it was great to see shareholders, customers and community stakeholders take time to celebrate with us and see how we have evolved into the business we are today. With this, came a wonderful film showcasing some of the of the community investments we have made that have positively impacted our towns and district. There is a copy at the branch for anyone interested.

I’d like to personally thank the branch staff of Angela Dickins, Michelle Morrison, Zoe Olive, Jodie Schinck & Nicole Morvell for their dedication to our customers and community; and their hard work. Thank you also, to retiring member Janette Nixon, for your contribution over 10 years with the Gisborne Community Bank branch.

My thanks to the board of directors: Graham Stewart, Gary McSwain, Andrew Nicoll, Karen Clifford and new board members Corinne Shaddock, Dominic Andreacchio, Sarah Matthee, Erin McKinnon and Jamie Byron. I enjoy working closely with you all and appreciate the time and effort you give in supporting and assisting the growth of our successful business; and providing us the ability to contribute to the local community. As your time is voluntary, it shows your passion and commitment to community. It’s great that it is so successful!

To the local shareholders, thank you for your ongoing support. Macedon Ranges Community Enterprises Ltd has 223 shareholders. So, I put the challenge to you to take the time to help us grow your business. If you as a shareholder referred just one customer to Gisborne & District Community Bank Branch – 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. My team are ready for your referrals; and growing the positive difference our Community Bank branch makes.

It’s an exciting time at Gisborne & District Community Bank Branch, seeing it grow and develop. I look forward to the next 12 months as we strengthen our business and the community reaps the benefits.

Sarah Barton
Branch Manager

Directors' report

For year ending 30 June 2019

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

Directors

The following persons were Directors of Macedon Ranges Community Enterprises Ltd during or since the end of the financial year up to the date of this report:

Graham Charles Stewart	
Position	Chairman
Professional qualifications	B.Ag.Sc.
Other current directorship	Netherlea Investments Pty Ltd, Antipodean Trade Group Ltd
Experience and expertise	Business Proprietor, extensive experience agricultural goods and logistics.
Gary Robert McSwain	
Position	Company Secretary
Professional qualifications	Dip.Bus.Stud., Grad.Dip.Acc & Corp.Gov., CPA, ACIS
Other current directorship	McSwain Family Superannuation Pty Ltd
Experience and expertise	Accountant, extensive finance and general management experience in insurance sector.
Karen Anne Clifford	
Position	Director
Professional qualifications	B.App.Sc (Phys.Ed), MBM
Other current directorship	Barham Superannuation Fund Pty Ltd
Experience and expertise	Extensive experience in consultancy roles and community not-for-profit organisations.
Andrew Robert Nicoll	
Position	Treasurer
Professional qualifications	B.A., Grad.Dip.Acc.
Other current directorship	Nil
Experience and expertise	Management Accountant, diverse experience in agricultural, retail and small business.
Michelle Anne Jones	
Position	Director (Resigned 18 June 2019)
Professional qualifications	Diploma of Business Administration, Cert IV training & Assessment
Other current directorship	Nil
Experience and expertise	Former Treasurer Sunbury Basketball Association, in addition an active committee member of various local sporting associations spanning a 20 year period.

Corinne Shaddock	
Position	Director and Public Relations Officer (Appointed 19 November 2018)
Professional qualifications	B.A., M.B.A
Other current directorship	Nil
Experience and expertise	Marketing and communications at multinational, national and local level.
Dominic Andreacchio	
Position	Director and Chair, HR Committee (Appointed 19 November 2018)
Professional qualifications	Master of Business Management, Post Grad. Dip. Business Management, Diploma of HR, Member AHRI
Other current directorship	Club Sunbury (Sunbury Bowling Club)
Experience and expertise	Extensive public and private sector board and HR experience, including non-profits and clubs. Lecturer at Australian Institute of Management MBA Program.
Sarah Jane Matthee	
Position	Director (Appointed 19 November 2018)
Professional qualifications	LLB / B.Eng (Chemical)
Other current directorship	Nil
Experience and expertise	Lawyer (but not currently a practicing solicitor), extensive experience in community not-for-profit sector
Brian Patrick Collins	
Position	Director (Resigned 19 November 2018)
Professional qualifications	B. Com., B.Bus (Local Government), CPA
Other current directorship	B & M Collins Investments Pty Ltd
Experience and expertise	Accountant, extensive business and financial management experience in schools and local government.
Adam John McKie	
Position	Director (Resigned 19 November 2018)
Professional qualifications	B.BMM (Vic Uni)
Other current directorship	AIM Solutions Pty Ltd and AIM Super Fund
Experience and expertise	Family owned property business proprietor.

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

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

Directors' Meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit Committee meetings	
	A	B	A	B
Graham Charles Stewart	11	11	2	2
Gary Robert McSwain	11	11	2	2
Karen Anne Clifford	11	10	N/A	N/A
Andrew Robert Nicoll	11	11	2	2
Michelle Anne Jones	10	8	N/A	N/A
Corinne Shaddock	7	7	N/A	N/A
Dominic Andreacchio	7	6	N/A	N/A
Sarah Jane Matthee	7	6	1	1
Brian Patrick Collins	4	3	1	1
Adam John McKie	4	4	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Gary Robert McSwain has been the Company Secretary of Macedon Ranges Community Enterprises Ltd since 2013. Gary's qualifications and experience include accounting, extensive finance and general management experience in insurance sector

Principal activities

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

Review of operations

The profit of the company for the financial year after provision for income tax was $120,565 (2018 profit: $94,427), which is a 27.7% increase as compared with the previous year.
The Mortgages & Loans portfolio grew by 13.4% resulting in a 12.6% increase in revenue whilst operating expense growth was kept to 9.0%.

Dividends

A fully franked final dividend of 8 cents per share was declared and paid during the 2019 financial year for the year ended 30 June 2018. For the financial year ended 30 June 2019, a fully franked dividend of 9 cents per share has been declared post 30 June 2019.

Directors' report *(continued)*

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

Proceedings on behalf of company

No person has applied under section 237 of the Corporations Act 2001 for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 9 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Gisborne on 23 September 2019.

Graham Charles Stewart
Chair

Auditor's Independence Declaration

41A Breen Street
Bendigo, Victoria
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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Macedon Ranges Community Enterprises Ltd

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

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

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

RSD Audit

P. P. Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 24 September 2019

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial Statements

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

	Note	2019 $	2018 $
Revenue	2	1,300,093	1,153,573
Expenses			
Employee benefits expense	3	(501,621)	(466,458)
Depreciation and amortisation	3	(29,576)	(26,156)
Finance costs	3	-	(3)
Bad and doubtful debts expense	3	272	(50)
Occupancy expenses		(111,147)	(100,032)
Marketing and advertising		(62,522)	(48,411)
IT expenses		(36,263)	(30,443)
ATM costs		(25,278)	(16,780)
Professional services		(22,348)	(23,300)
Printing and stationery		(11,390)	(10,718)
Insurance expense		(10,886)	(14,422)
Other expenses		(65,554)	(66,559)
		(876,313)	(803,332)
Operating profit before charitable donations & sponsorship		**423,780**	**350,241**
Charitable donations and sponsorships		(257,483)	(220,156)
Profit before income tax		**166,297**	**130,085**
Income tax expense	4	(45,732)	(35,658)
Profit for the year after income tax		**120,565**	**94,427**
Other comprehensive income		-	-
Total comprehensive income for the year		**120,565**	**94,427**
Profit attributable to members of the company		120,565	94,427
Total comprehensive income attributable to members of the company		**120,565**	**94,427**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	16.67	13.06

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

Statement of Financial Position
as at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	184,135	538,425
Trade and other receivables	6	99,556	97,712
Financial assets	8	292,149	-
Current tax asset	4	3,733	-
Other assets	7	6,450	5,271
Total current assets		**586,023**	**641,408**
Non-current assets			
Property, plant and equipment	9	217,423	26,528
Intangible assets	10	57,864	5,253
Deferred tax assets	4	-	11,094
Total non-current assets		**275,287**	**42,875**
Total assets		**861,310**	**684,283**
Liabilities			
Current liabilities			
Trade and other payables	12	116,075	49,296
Current tax liability	4	-	17,318
Franchise fee payable	13	14,082	-
Provisions	14	30,958	34,960
Total current liabilities		**161,115**	**101,574**
Non-current liabilities			
Franchise fee payable	13	42,246	-
Provisions	14	8,416	4,030
Deferred tax liability	4	8,146	-
Total non-current liabilities		**58,808**	**4,030**
Total liabilities		**219,923**	**105,604**
Net assets		**641,387**	**578,679**
Equity			
Issued capital	15	704,766	704,766
Accumulated losses	16	(63,379)	(126,087)
Total equity		**641,387**	**578,679**

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

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		**704,766**	**(126,087)**	**578,679**
Comprehensive income for the year				
Profit for the year		-	120,565	120,565
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(57,857)	(57,857)
Balance at 30 June 2019		**704,766**	**(63,379)**	**641,387**
Balance at 1 July 2017		704,766	(169,888)	534,878
Comprehensive income for the year				
Profit for the year		-	94,427	94,427
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(50,626)	(50,626)
Balance at 30 June 2018		**704,766**	**(126,087)**	**578,679**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,413,424	1,254,425
Payments to suppliers and employees		(1,160,557)	(1,095,484)
Interest paid		-	(3)
Interest received		6,756	6,445
Income tax paid		(47,543)	(34,186)
Net cash flows provided by operating activities	19b	**212,080**	**131,197**
Cash flows from investing activities			
Proceeds from sale of investments		-	177,109
Purchase of property, plant and equipment		(207,163)	(5,311)
Purchase of intangible assets		(9,591)	-
Purchase of investments		(292,149)	-
Net cash flows from/(used in) investing activities		**(508,903)**	**171,798**
Cash flows from financing activities			
Dividends paid		(57,467)	(50,626)
Net cash flows used in financing activities		**(57,467)**	**(50,626)**
Net increase/(decrease) in cash held		**(354,290)**	**252,369**
Cash and cash equivalents at beginning of financial year		538,425	286,056
Cash and cash equivalents at end of financial year	19a	**184,135**	**538,425**

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

Notes to the financial statements

For the year ended 30 June 2019

These financial statements and notes represent those of Macedon Ranges Community Enterprises Ltd.

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

The financial statements were authorised for issue by the Directors on 23 September 2019.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

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

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

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.

Note 1. Summary of significant accounting policies (continued)

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:
- Advice and assistance in relation to the design, layout and fit out of the Community Bank branch;
- Training for the Branch Manager and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in

Note 1. Summary of significant accounting policies (continued)

which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

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

Employee benefits provision

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

Income tax

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

Impairment

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

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

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

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

AASB 15 Revenue from Contracts with Customers
AASB 15 replaces AASB 118 *Revenue,* AASB 111 *Construction Contracts* and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach.

Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

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

Note 1. Summary of significant accounting policies (continued)

AASB 9 Financial Instruments

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

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

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

(g) New accounting standards for application in future periods

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

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

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

AASB 16:
- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $295,750. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit and classification of cash flows.

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

(h) Change in accounting policies

Revenue

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

Financial Instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified as financial assets at amortised cost.

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

Financial assets at amortised cost

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

Impairment of financial assets

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

Note 2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	1,293,337	1,147,128
	1,293,337	1,147,128
Other revenue		
- interest received	6,756	6,445
	6,756	6,445
Total revenue	**1,300,093**	**1,153,573**

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

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

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

Other revenue is recognised when the right to the income has been established.

Note 2. Revenue (continued)

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

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

Core Banking Products
Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year included: Housing Loans - Fixed & Variable, Overdraft Facilities, Personal Loans, Credit Card Facilities, At Call Deposits, and Term Deposits.

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

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

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

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

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

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

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

Note 2. Revenue (continued)

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

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

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;
b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and
c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

Note 3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	404,096	380,064
- superannuation costs	45,533	51,654
- other costs	51,992	34,740
	501,621	466,458
Depreciation and amortisation		
Depreciation		
- plant and equipment	13,805	9,951
- motor vehicles	2,463	2,462
	16,268	12,413
Amortisation		
- franchise fees	13,308	13,743
Total depreciation and amortisation	29,576	26,156
Finance costs		
- Interest paid	-	3
Bad and doubtful debts expenses	(272)	50
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,530	7,390
	5,530	7,390

Note 3. Expenses (continued)

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

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

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

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

Class of asset	*Rate*	*Method*
Plant and equipment	10% to 40%	Straight line
Motor vehicles	12.5%	Straight line
Franchise fees	20.0%	Straight line

Note 4. Income tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	26,492	38,021
Deferred tax expense	19,240	(2,248)
Under / (over) provision of prior years	-	(115)
	45,732	**35,658**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities		
before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	45,732	35,773
Add tax effect of:		
- Under / (over) provision of prior years	-	(115)
Income tax attributable to the entity	**45,732**	**35,658**
The applicable weighted average effective tax rate is:	27.50%	27.41%
c. Current tax (asset)/liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	17,318	13,483
Income tax paid	(47,543)	(34,186)
Current tax	26,492	38,021
	(3,733)	**17,318**

Note 4. Income Tax (continued)

	2019 $	2018 $
d. Deferred tax assets and liabilities		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	3,692	372
Employee provisions	10,721	10,722
Franchise fee	1,022	-
	15,435	**11,094**
Deferred tax liabilities comprise:		
Accrued income	794	-
Prepayments	1,774	-
Property, plant & equipment	21,013	-
	23,581	-
Net deferred tax asset/(liability)	**(8,146)**	**11,094**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(4,341)	(2,133)
(Decrease) / increase in deferred tax liabilities	23,581	-
Under / (over) provision prior years	-	(115)
	19,240	**(2,248)**

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

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

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

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

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

Note 5. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	184,135	249,415
Short-term bank deposits	-	289,010
	184,135	**538,425**

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

Note 6. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	96,668	97,712
Other receivables	2,888	-
	99,556	**97,712**

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

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

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

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

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

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2019	$	$	$	$	$	$
Trade receivables	96,668	96,668	-	-	-	-
Other receivables	2,888	2,888	-	-	-	-
Total	**99,556**	**99,556**	**-**	**-**	**-**	**-**
2018						
Trade receivables	97,712	97,712	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**97,712**	**97,712**	**-**	**-**	**-**	**-**

Note 7. Other assets

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

Note 7. Other assets (continued)

	2019 $	2018 $
Prepayments	6,450	5,271
	6,450	**5,271**

Note 8. Financial assets

	2019 $	2018 $
Amortised cost		
Term deposits	292,149	-
	292,149	-

The effective interest rate on the bank deposit was 2.05% (2018: 2.00%). This deposit has a term of 6 months, maturing on 5 July 2019.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- amortised cost

Classifications are determined by both:

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

(b) Measurement of financial assets

Financial assets at amortised cost

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

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

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

(c) Impairment of financial assets

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

Note 8. Financial assets (continued)

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

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

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

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

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

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

(d) Derecognition

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

Note 9. Property, plant and equipment

	2019 $			2018 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Plant and equipment	353,115	(149,000)	204,115	145,952	(135,195)	10,757
Motor vehicles	19,704	(6,396)	13,308	19,704	(3,933)	15,771
Total property, plant and equipment	**372,819**	**(155,396)**	**217,423**	**165,656**	**(139,128)**	**26,528**

Plant and equipment

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

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the

Note 9. Property, plant and equipment (continued)

recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

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

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

(a) Capital expenditure commitments

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

(b) Movements in carrying amounts of PP&E

2019	Opening written down value	Additions	Depreciation	Closing written down value
	$	$	$	$
Plant and equipment	10,757	207,163	(13,805)	204,115
Motor vehicles	15,771	-	(2,463)	13,308
Total property, plant and equipment	**26,528**	**207,163**	**(16,268)**	**217,423**

2018	Opening written down value	Additions	Depreciation	Closing written down value
	$	$	$	$
Plant and equipment	15,397	5,311	(9,951)	10,757
Motor vehicles	18,233	-	(2,462)	15,771
Total property, plant and equipment	**33,630**	**5,311**	**(12,413)**	**26,528**

Note 10. Intangible assets

	2019 $			2018 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fee	65,919	(8,055)	57,864	78,713	(73,460)	5,253
Total intangible assets	**65,919**	**(8,055)**	**57,864**	**78,713**	**(73,460)**	**5,253**

Franchise fees and establishment costs have been initially recorded at cost and amortised on a straight line basis at a

Note 10. Intangible assets (continued)

rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

Movements in carrying amounts

2019	Opening written down value	Additions	Amortisation	Closing written down value
	$	$	$	$
Franchise fee	5,253	65,919	(13,308)	57,864
Total intangible assets	**5,253**	**65,919**	**(13,308)**	**57,864**

2018	Opening written down value	Additions	Amortisation	Closing written down value
	$	$	$	$
Franchise fee	18,996	-	(13,743)	5,253
Total intangible assets	**18,996**	**-**	**(13,743)**	**5,253**

Note 11. Financial liabilities

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

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

Note 12. Trade and other payables

	2019	2018
	$	$
Current		
Unsecured liabilities:		
Trade creditors	84,211	16,540
Salary & wages payable	3,826	358
GST payable	11,616	17,551
PAYG withheld from wages	6,822	4,908
Other creditors and accruals	9,600	9,939
	116,075	**49,296**

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

Note 13. Franchise fee payable

	2019 $	2018 $
Current		
Franchise fee payable within 12 months	14,082	-
	14,082	**-**
Non-current		
Franchise fee payable after 12 months	42,246	-
	42,246	**-**
Total franchise fee payable	**56,328**	**-**

The remaining franchise fee payable is due in 4 instalments of $14,082 to be deducted from the profit share for November each year, with the final instalment to be deducted on 19 November 2022. The current franchise agreement runs until 18 November 2023.

Note 14. Provisions

	2019 $	2018 $
Current		
Dividends	390	-
Employee benefits	30,568	34,960
	30,958	34,960
Non-current		
Employee benefits	8,416	4,030
Total provisions	**39,374**	**38,990**

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

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

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

Note 14. Provisions (continued)

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

Note 15. Share capital

	2019 $	2018 $
723,214 Ordinary shares fully paid	723,214	723,214
Less: Equity raising costs	(18,448)	(18,448)
	704,766	**704,766**

Ordinary shares are classified as equity.

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

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	723,214	723,214
At the end of the reporting period	**723,214**	**723,214**

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

(b) Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

Note 16. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the reporting period	(126,087)	(169,888)
Profit for the year after income tax	120,565	94,427
Dividends paid	(57,857)	(50,626)
Balance at the end of the reporting period	**(63,379)**	**(126,087)**

Note 17. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 8 cents per share (2018: 7 cents) franked at the tax rate of 27.5% (2018: 27.5%).	57,857	50,626

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

Note 18. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	16.67	13.06
Earnings used in calculating basic earnings per share	120,565	94,427
Weighted average number of ordinary shares used in calculating basic earnings p/share	723,214	723,214

Basic earnings per share

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

Note 19. Statement of cash flows

	2019 $	2018 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	184,135	538,425
As per the Statement of Cash Flow	**184,135**	**538,425**

Notes to the financial statements *(continued)*

Note 19. Statement of cash flows (continued)

	2019 $	2018 $
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	120,565	94,427
Non-cash flows in profit		
- Depreciation and amortisation	29,576	26,156
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(1,844)	(7,416)
- (increase) / decrease in prepayments and other assets	(1,179)	(5,271)
- (Increase) / decrease in deferred tax asset	19,240	(2,363)
- Increase / (decrease) in trade and other payables	66,779	14,011
- Increase / (decrease) in current tax liability	(21,051)	3,836
- Increase / (decrease) in provisions	(6)	7,817
Net cash flows from operating activities	**212,080**	**131,197**

Note 20. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company. No remuneration has been paid to the directors as the positions are held on a voluntary basis.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

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

Name of related party	Description of goods / services provided	Value - $
Graham Stewart	General consulting services	7,200
Corinne Shaddock	Public relations & Marketing	42,441

The Company has adopted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. No director elected to avail themselves of any benefits under the package during the current financial year.

Note 20. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

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

	2019	2018
Karen Anne Clifford	7,000	7,000
Adam John McKie	10,000	10,000
	17,000	17,000

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

(e) Other key management transactions

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

Note 21. Community Enterprise Foundation™

The Community Enterprise Foundation™ (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which Community Bank branches can make financial contributions. These contributions made by the company are included in the charitable donations and sponsorship expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

During the current financial year, the company contributed funds to the Community Enterprise Foundation™ (CEF), as detailed below. These funds are held in trust by the CEF on behalf of the company and are available for distribution by grants to eligible applicants.

	2019 $	2018 $
Opening Balance	196,283	177,695
Contributions	92,632	17,368
Grants Paid	(5,091)	-
Interest	3,919	3,588
GST	(7,958)	(1,579)
Management fees	(4,211)	(789)
Balance available for distribution in future periods	**275,574**	**196,283**

At 30th of June 2019, the company has recognised an expense of $84,211 for the contribution to the CEF. This amount has been invoiced by the CEF but was unpaid at 30th June 2019. It is included in the calculations above.

Note 22. Events after the reporting period

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Operating segments

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

Note 25. Commitments

Operating lease commitments

	2019 $	2018 $
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	65,512	32,808
- between 12 months and five years	230,238	-
Minimum lease payments	295,750	32,808

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

Note 26. Company details

The registered office and principal place of business is 11 Nexus Way, Gisborne VIC 3437

Note 27. Financial instrument risk

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

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

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

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	184,135	538,425
Trade and other receivables	6	99,556	97,712
Financial assets	8	292,149	-
Total financial assets		**575,840**	**636,137**

Note 20. Financial instrument risk (continued)

	Note	2019 $	2018 $
Financial liabilities			
Trade and other payables	12	116,075	49,296
Franchise fee payable	13	56,328	-
Total financial liabilities		**172,403**	**49,296**

(a) Credit risk

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

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

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

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

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

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

(b) Liquidity risk

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

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

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

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

Note 20. Financial instrument risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.17%	184,135	184,135	-	-
Trade and other receivables		99,556	99,556	-	-
Financial assets	2.05%	292,149	292,149	-	-
Total anticipated inflows		575,840	575,840	-	-
Financial liabilities					
Trade and other payables		116,075	116,075	-	-
Franchise fee payable		56,328	14,082	42,246	-
Total expected outflows		172,403	130,157	42,246	-
Net inflow / (outflow) on financial instruments		**403,437**	**445,683**	**(42,246)**	**-**

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.14%	538,425	538,425	-	-
Trade and other receivables		97,712	97,712	-	-
Total anticipated inflows		636,137	636,137	-	-
Financial liabilities					
Trade and other payables		49,296	49,296	-	-
Total expected outflows		49,296	49,296	-	-
Net inflow / (outflow) on financial instruments		**586,841**	**586,841**	**-**	**-**

(c) Market risk

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

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

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

Notes to the financial statements *(continued)*

Note 20. Financial instrument risk (continued)

The financial instruments that primarily expose the company to interest rate risk are cash and cash equivalents and term deposits.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of +/- 1% in market interest rates from year-end rates.

These movements will not have a material impact on the valuation of the company's financial assets and liabilities, nor will they have a material impact on the results of the company's operations.

Directors’ Declaration

In accordance with a resolution of the Directors of Macedon Ranges Community Enterprises Ltd, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 34 are in accordance with the *Corporations Act 2001* and:

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

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

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

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

Graham Charles Stewart
Chair

Signed at Gisborne on 23 September 2019.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF Macedon Ranges Community Enterprises Ltd

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion:

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

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

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

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

Basis for Opinion

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

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

Independence

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

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

Director's Responsibility for the Financial Report

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

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

Richmond Sinnott & Delahunty, trading as RSD Audit
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Independent audit report (continued)

Auditor's Responsibility

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

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

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

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

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

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

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

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

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

P. P Delahunty
Partner
Bendigo
Dated: 24 September 2019

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