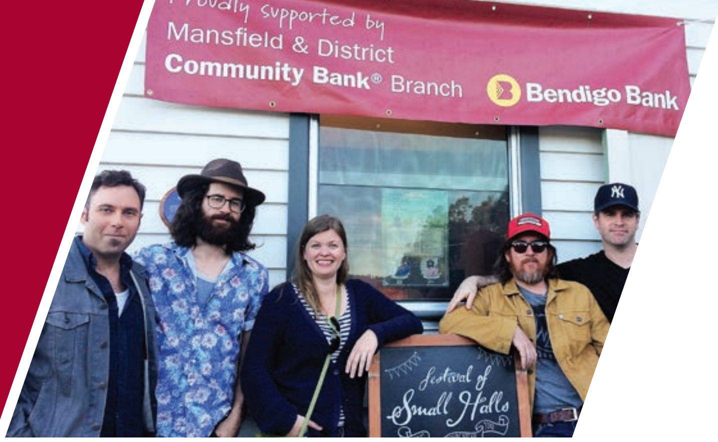
Mansfield & District Community Enterprises Ltd

ABN 92 124 069 914



2019 Annual Report

Mansfield & District Community Bank Branch

Contents

Vice-Chair's report

For year ending 30 June 2019

The 2019 financial year was a big one for Mansfield & District Community Enterprises Ltd.

At the end of the financial year our footings reached a milestone $130 million. This is growth of $5 million for the year, which is a strong result delivered by our branch team in a tight banking environment.

The company reports a before tax profit of $88,459 after community contributions and a significant contribution to the Community Enterprise Foundation™, our second year of doing so. Yet another milestone was reached where our contributions into our community exceeded half a million dollars. Many projects have been supported which has increased the livability and sustainability of our community and the participation of many within the community in their chosen interests. During this year we established the inaugural Mansfield & District Community Bank Scholarship and we were pleased to assist two local students in their tertiary education this year. We look forward to running the scholarship program again in 2020.

The Board of Directors at last year's Annual General Meeting proposed a Share Buy-back for the company which was endorsed by shareholders. During the year this process was undertaken and finalised in March 2019 with great success. We take this opportunity to thank all shareholders past and present for their support of the vision of a Community Bank branch in Mansfield 12 years ago and be proud of the contribution that this vision has made into the community.

The Board of Directors was pleased to announce the declaration of the eighth dividend this year of 6c per share fully franked to be paid in October 2019. Total return to shareholders through dividends is now at $260,000.

During the year the Board saw the resignation of Tim Ross, long standing Chair. The Board thanks Tim for his large contribution in both time and expertise during his tenure with the Board. We also thank Caroline Hodges for her time and contributions to the Board. The Board recently welcomed experienced Director and Chair, David Mayne to the Board. Pleasingly David accepted the position of Chair, David comes to Mansfield with a long history in the Community Banking world after being a Director and then Chair of Heidelberg & East Ivanhoe Community Bank branches for many years.

The world of banking is changing, and the Board of Directors in Mansfield continue to work on the company's strategy to ensure we provide a relevant banking service to our customers and community well into the future.

Partnering with Australia's fifth largest bank, we're proud of the contribution we make in Mansfield to what is one of Australia's most trusted brands.

We continue to instill the message into the community, that the Community Bank concept is quite simple but completely unique. The more people that bank with us the more we contribute back to our community. Every customer that we attract to the Mansfield branch, the Mansfield and District community directly benefits, the profits from our company go back to our community. We encourage shareholders, those that we support from community groups and other members of the community to come and talk to the branch team on how we can support your banking needs.

We welcomed two new members to the staff team Clare Ridler and Riley Tanner, who is our first Trainee. The team continues to strive to grow the business and serve our customers and we thank the whole team lead by Manager Matthew Currie who is supported by Jess, Stevie, Clare and Riley.

I also take this opportunity to thank my fellow Directors for their professionalism and expertise that they bring to the table to manage and govern the company on behalf of our shareholders.

We again thank our shareholders for their initial and continued support of our Community Bank branch, we hope you are proud of the impact this company has made within our community.

Our community will be better off because of our Community Bank branch.

Haley Tudor-Harrop
Vice Chair

Manager’s report

For year ending 30 June 2019

It is with pleasure that I submit the Branch Manager’s report for the Mansfield & District Community Bank Branch.

The Mansfield & District Community Bank Branch had strong results for the 2018/19 financial year. We ended the financial year with total business of $130.2 million which reflects growth of $5.6 million on last year’s results. Most of this growth came from deposit funds, and even though the lending environment is tough, we grew our lending business as well. The branch also grew its customer numbers to 2,571 which is an increase of 6.46% for the financial year. The branch also continued to focus on providing Superannuation and Insurance solutions for our customers and saw good results in these measures as well.

The strength of the Community Bank model, and the point of difference that this provides, is one of the reasons that we have been able to achieve these strong results. We believe that our success is closely linked to the success of our communities.

In the past 12 months the Mansfield & District Community Bank Branch has continued to support the Bonnie Doon Football Netball Club and we have also provided funding to Up2Us Landcare, Mansfield Parkrun and Mansfield A & P society among others. We also provided our first scholarships to two of Mansfield’s students. Even though we have provided these funds, we still need your help. Every new customer and account at our branch, means more funds available to be paid in community contributions and dividends.

The past 12 months has seen some changes in our branch staffing. During the year Leanne and Julia left for other opportunities, and we welcomed Clare Ridler as a Customer Service Officer. We also welcomed our first Customer Service Trainee, Riley Tanner. Both of these new team members have picked up their roles really quickly. During the year Stevie took on a new lending role within the team, and Jess has continued to develop into a fine lender. Our customers continually tell us that they love the service that our staff provide. I’d like to take this opportunity to personally thank each and every one of them for their continued efforts. They really do go above and beyond for our customers.

The branch has received wonderful support from our Regional Bendigo and Adelaide Bank Limited support team of Mark Brown (Regional Manager), Lisa Liddell (Regional Manager), Kendall Beattie (Regional Community Manager), Brian O’Keefe (Risk & Compliance Manager), and Dylan Villani (People Operations Manager). Thank you for your ongoing help and support. The branch has also continued to strengthen our partnership with Rural Bank, and have received great service from James Alcaniz (Agri Relationship Manager). This partnership is a key focus moving forward into the future.

Thank you to our Board of Directors who provide a strong strategic direction for the branch team. The strategy they have set will see the Mansfield & District Community Bank Branch continue to maintain our strong community focus and ensure we remain a relevant banking choice in our community.

Most of all I would like to thank our shareholders, our individual customers and the local businesses and groups that choose to bank with the Mansfield & District Community Bank Branch. It is because of you that we are able to provide the support that we do to the local community.

On behalf of the branch staff thank you for your continued support. We look forward to seeing you in the branch sometime throughout the year.

Thank you

Matthew Currie
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 that 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

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

Directors

The following persons were Directors of Mansfield & District Community Enterprises Limited during or since the end of the financial year up to the date of this report:

David John Mayne

Position	Chairman (Appointed 28 June 2019), Director (Appointed 28 June 2019)
Professional qualifications	Infrastructure Consultant
Experience and expertise	David worked in the communication industry for over 35 years, holding positions in engineering, sales and marketing and commercial management. He has also worked in the mining industry. David has extensive management level experience at the executive management level with a major communication Company and now works part time in infrastructure. David is married with two children.

Haley Kate Tudor-Harrop

Position	Vice Chair
Professional qualifications	Accountant
Experience and expertise	B.Bus(Acc), Chartered Accountant, GAICD. Elected member of the Community Bank National Council, Ex-Director at Lake Mountain Resort Management Board, Ex-Director at MACE Inc.

Janene Alice Ridley

Position	Director
Professional qualifications	Manager - Small Business
Experience and expertise	General Manger of Mount Terrible Wines Pty Ltd. Former CEO of Mansfield District Hospital. GAICD - Graduate Australian Institute of Company Director, MHSM - Masters of Health Services Management, BA - Bachelor or Arts, RN - Registered Nurse Division 1. Current member - Jamieson CFA - 41h Lieutenant & OHS Officer. Current member-Jamieson Floodwatch Program. Current member - Mansfield Musical & Dramatic Society (MMUDS).

Amy Lee Chandler

Position	Treasurer
Professional qualifications	Accountant
Experience and expertise	B.Bus (Acc) CPA. Accountant at Proactive Tax & Business Services. Previously employed at Langley McKimmie Chartered Accountants & Stephen Bates CPA. Previous Treasurer - Mansfield Football Netball Club and Woodend Hesket Football Netball Club.

Directors' report (continued)

Directors (continued)

Nicole Su-Yin Nally

Position	Director
Professional qualifications	Business Development and Regional Representative, Acquatic Informatics
Experience and expertise	A registered professional Engineer. Business Development and Regional Representative for Aquatic informatics. Past committee member Australian Water Association, Engineers Without Borders and Institute of Engineers Australia. MBA.

Peter Valerio

Position	Director
Professional qualifications	Director
Experience and expertise	Marketing Strategy, Research & Strategic planning. Undertaken global marketing strategy work for a wide range of government and semi government bodies.

John Bowen

Position	Company Secretary
Professional qualifications	Lawyer
Experience and expertise	John has worked in legal practice for 36 years.

Caroline Hodges

Position	Director
Professional qualifications	Secondary School Teacher
Experience and expertise	Caroline has been a school teacher for 19 years.

Caroline Trenfield

Position	Director (Appointed 1 February 2019)
Professional qualifications	Human Resources Manager
Experience and expertise	Over 10 years experience in various Human resources manager roles and currently employed at Mansfield Autism Statewide Services

Timothy John Ross

Position	Chairman (Resigned 3 May 2019)
Professional qualifications	Accountant
Experience and expertise	Former Director & Hon Treasurer, Beolite Village Ltd, Former Independent Member, Mansfield Shire Audit Committee, Accountant (Public Practice), Governance Committee member and Treasurer, Mansfield Rudolph Steiner School & Kindergarden.

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' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Committee Meetings Attended					
			Development		Finance		Governance	
	A	B	A	B	A	B	A	B
Tim John Ross	11	10	N/A	N/A	5	5	N/A	N/A
Haley Kate Tudor-Harrop	13	12	5	5	N/A	N/A	3	3
Janene Alice Ridley	13	13	N/A	N/A	N/A	N/A	3	3
Amy Lee Chandler	13	11	N/A	N/A	10	10	N/A	N/A
Nicole Sun Nally	13	8	3	2	10	7	N/A	N/A
Peter Valerio	13	8	8	4	N/A	N/A	N/A	N/A
John Bowen	13	11	N/A	N/A	N/A	N/A	3	3
Caroline Hodges	13	9	8	8	N/A	N/A	N/A	N/A
Caroline Trenfield	6	6	N/A	N/A	4	4	N/A	N/A
David John Mayne	1	1	N/A	N/A	N/A	N/A	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

Haley Tudor-Harrop has been the Company Secretary of Mansfield & District Community Enterprises Limited since November 2017 and in November 2018 John Bowen became the newly appointed Company Secretary of Mansfield & District Community Enterprises Ltd.

John is a qualified lawyer.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $64,133 (2018: $47,668).

Dividends

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 4 cents per share was declared and paid during the year for the year ended 30 June 2019 (2018: 6 cents unfranked).

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.

Directors' report (continued)

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 indemnified all directors and the manager in respect of liablities 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 lack of good faith. The company also has Directors and Officers insurance for the benefit of Officers of the company against any liability occurred by the officer, which includes officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the officer's duties.

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' report (continued)

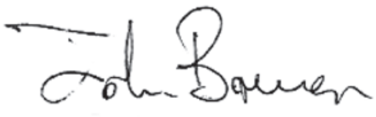
Remuneration report (continued)

Equity holdings of key management personnel

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

Name	Balance at 30 June 2018	Net change in holdings	Balance at 30 June 2019
Directors			
Tim John Ross	11,500	-	11,500
Haley Kate Tudor-Harrop	5,503	-	5,503
Janene Alice Ridley	-	-	-
Amy Lee Chandler	1,000	-	1,000
Nicole Su-Yin Nally	3,000	-	3,000
Peter Valerio	-	-	-
John Bowen	-	-	-
Caroline Hodges	-	-	-
Caroline Trenfield	-	-	-
David John Mayne	-	-	-

Signed in accordance with a resolution of the Board of Directors at Mansfield, Victoria on 25 September 2019.



John Bowen
Secretary

Auditor's independence declaration

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Independent Auditors Report to the Members of

Mansfield & District Community Enterprises Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mansfield & District Community Enterprises Limited (the company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Mansfield & District Community Enterprises Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the year 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. Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Report* section of our report. 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 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.

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

BENDIGO
3 Kennedy Street, PO Box 1023, Bendigo VIC 3552
P: 03 5441 4966 • F: 03 5441 8654

ECHUCA
211 Anstruther Street, PO Box 336, Echuca, VIC, 3564
P: 03 5482 1198 • F: 03 5482 3488
www.evolveaccounting.com.au

Financial statements

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

	Notes	2019 $	2018 $
Revenue	2	886,225	851,363
Expenses			
Employee benefits expense	3	(365,217)	(350,085)
Charitable donations, sponsorships, advertising and promotion	3	(205,678)	(210,542)
Occupancy expenses		(71,038)	(75,218)
Systems costs		(22,026)	(21,348)
Depreciation and amortisation	3	(31,510)	(29,033)
Finance costs	3	(691)	(1,037)
Administration and general costs		(101,606)	(101,484)
		(797,766)	**(788,747)**
Profit before income tax expense		**88,459**	**62,616**
Income tax expense	4	(24,326)	(14,948)
Profit after income tax expense		**64,133**	**47,668**
Total comprehensive income for the year		**64,133**	**47,668**
Profit attributable to members of the company		64,133	47,668
Total comprehensive income attributable to members of the company		**64,133**	**47,668**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	11.32	6.31

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

Statement of Financial Position
as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	303,847	434,997
Trade and other receivables	6	82,501	83,048
Other assets	7	5,019	4,391
Current tax asset	4	4,140	-
Total current assets		**395,507**	**522,436**
Non-current assets			
Property, plant and equipment	8	156,786	172,744
Intangible assets	9	2,592	2,592
Total non-current assets		**159,378**	**175,336**
Total assets		**554,885**	**697,772**
Liabilities			
Current liabilities			
Trade and other payables	10	42,836	22,649
Current tax liability	4	-	6,403
Borrowings	12	7,919	7,919
Provisions	13	22,105	19,407
Total current liabilities		**72,860**	**56,378**
Non-current liabilities			
Borrowings	12	2,283	9,511
Deferred Tax Liability	4	3,849	1,774
Provisions	13	11,914	11,130
Total non-current liabilities		**18,046**	**22,415**
Total liabilities		**90,906**	**78,793**
Net assets		**463,979**	**618,979**
Equity			
Issued capital	14	540,893	729,800
Retained earnings/Accumulated losses	15	(76,914)	(110,821)
Total equity		**463,979**	**618,979**

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

Financial statements (continued)

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

	Note	Issued capital $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2017		729,800	(113,149)	-	616,651
Profit / Loss for the year		-	47,668	-	47,668
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**47,668**	**-**	**47,668**
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Dividends paid or provided	16	-	(45,340)	-	(45,340)
Balance at 30 June 2018		**729,800**	**(110,821)**	**-**	**618,979**
Balance at 1 July 2018		729,800	(110,821)	-	618,979
Profit / Loss for the year		-	64,133	-	64,133
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**64,133**	**-**	**64,133**
Transactions with owners, in their capacity as owners					
Shares issued during the year		-	-	-	-
Share buyback issued during the year		(188,907)	-	-	(188,907)
Dividends paid or provided	16	-	(30,226)	-	(30,226)
Balance at 30 June 2019		**540,893**	**(76,914)**	**-**	**463,979**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		965,947	918,247
Payments to suppliers and employees		(825,193)	(852,567)
Interest paid		(691)	(1,037)
Interest received		12,305	9,603
Income tax paid		(41,604)	(30,733)
Net cash provided by / (used in) operating activities	**18b**	**110,764**	**43,513**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(88,533)
Payments for intangible assets		(15,553)	(15,553)
Net cash flows from / (used in) investing activities		**(15,553)**	**(104,086)**
Cash flows from financing activities			
Repayment of borrowings		(7,228)	(6,884)
Payments for share Buy-back		(188,907)	-
Dividends paid		(30,226)	(45,340)
Net cash provided by / (used in) financing activities		**(226,361)**	**(52,224)**
Net increase / (decrease) in cash held		**(131,150)**	**(112,797)**
Cash and cash equivalents at beginning of financial year		434,997	547,794
Cash and cash equivalents at end of financial year	**18a**	**303,847**	**434,997**

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

Notes to the financial statements

For year ended 30 June 2019

These financial statements and notes represent those of Mansfield & District Community Enterprises Limited.

Mansfield & District 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 25 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.

<u>Economic dependency</u>

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

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the Community Bank 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.

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 Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

(d) New and amended accounting policies adopted by the company

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

(e) Comparative figures

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

(f) Critical accounting estimates and judgements

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

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

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

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

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

<u>Employee benefits provision</u>

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset.

Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

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

(g) New and amended 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.

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.

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

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

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

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

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

   (ii) the characteristics of the contractual cash flows.

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

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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 instrument, see Note 25.

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

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

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

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

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.

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $354,286.

The company has decided not to early adopt any of the new and amended pronouncements.

Note 2. 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.

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

Rendering of services

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

Interest, dividend and other income

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

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

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

	2019 $	2018 $
Revenue		
- service commissions	878,134	840,141
	878,134	**840,141**

	2019 $	2018 $
Note 2. Revenue (continued)		
Other revenue		
- interest received	8,091	11,222
- other revenue	-	-
	8,091	**11,222**
Total revenue	**886,225**	**851,363**

Note 3. Expenses

Operating expenses

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

Borrowing costs

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

Depreciation

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

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

Class of asset	Rate	Method
Leasehold improvements	2.5%	SL
Plant and equipment	13.3% - 40%	DV
Furniture and fittings	5% - 50%	DV
Motor vehicles	25%	DV

Gains/losses upon disposal of non-current assets

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

Notes to the financial statements (continued)

	2019 $	2018 $
Note 3. Expenses (continued)		
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	322,585	314,401
- superannuation costs	27,080	27,434
- other costs	15,552	8,250
	365,217	**350,085**
Community contributions		
- sponsorship	153,798	151,141
- donations	1,010	1,159
Other advertising and promotions		
- advertising	7,183	6,410
- marketing	2,260	10,844
- marketing contractor	41,427	40,988
	205,678	**210,542**
Depreciation and amortisation		
Depreciation		
- furniture and fittings	6,561	5,101
- computer equipment	279	398
- leasehold improvements	3,402	1,860
- motor vehicle	5,715	6,323
	15,957	**13,682**
Amortisation		
- franchise agreement	2,031	1,991
- franchise renewal fee	13,522	13,360
	15,553	**15,351**
Total depreciation and amortisation	**31,510**	**29,033**
Finance costs		
- Interest paid	691	1,037
Bad and doubtful debts expenses	694	431
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	3,500	3,300

Note 4. Income tax

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.

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	22,251	13,085
Movement in Deferred tax expense / (income)	2,075	1,863
Recoupment of prior year tax losses	-	-
	24,326	**14,948**
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%)	24,326	17,219
Add tax effect of:		
- timing difference expenses	(2,075)	(1,863)
	22,251	**15,356**
Movement in deferred tax	5,466	1,863
Adjustment to deferred tax to reflect change of tax rate in future periods	-	-
Movement in deferred tax asset (debtors and creditors)	(3,391)	(2,271)
Income tax attributable to the entity	**24,326**	**14,948**
The applicable weighted average effective tax rate is	-27.50%	-23.87%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	6,403	24,051
Income tax paid	(32,795)	(30,733)
Current tax	22,252	13,085
	(4,140)	**6,403**

Notes to the financial statements (continued)

	2019 $	2018 $
Note 4. Income tax (continued)		
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accruals	-	550
Employee provisions	3,482	8,398
	3,482	**8,948**
Deferred tax liabilities balance comprises:		
Accrued income	4,214	1,171
Property, plant & equipment	2,489	8,344
Prepayments	628	1,207
	7,331	**10,722**
Net deferred tax asset / (liability)	**(3,849)**	**(1,774)**
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	5,466	(1,957)
(Decrease) / increase in deferred tax liabilities	(3,391)	3,820
	2,075	**1,863**

Note 5. Cash and cash equivalents

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

	2019 $	2018 $
Cash at bank and on hand	33,847	59,997
Term Deposits	270,000	375,000
	303,847	**434,997**

The effective interest rate on short-term bank deposits was 1.95% (2018: 2.45%); these deposits have an average maturity of 90 days (2018: 167 days).

Note 6. Trade and other receivables

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when ther eis 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.

	2019 $	2018 $
Current		
Trade receivables	82,458	78,123
Other receivables	43	4,925
	82,501	**83,048**

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	82,458	82,458	-	-	-	-
Other receivables	5,062	5,062	-	-	-	-
Total	**87,520**	**87,520**	**-**	**-**	**-**	**-**
2018						
Trade receivables	78,123	78,024	-	-	99	-
Other receivables	4,925	4,925	-	-	-	-
Total	**83,048**	**82,949**	**-**	**-**	**99**	**-**

Notes to the financial statements (continued)

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.

	2019 $	2018 $
Prepayments	5,019	4,391
	5,019	**4,391**

Note 8. Property, plant and equipment

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

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

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

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

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

	2019 $	2018 $
Leasehold improvements		
At cost	136,068	136,068
Less accumulated depreciation	(20,416)	(17,013)
	115,652	**119,055**
Computer Software		
At cost	12,336	12,336
Less accumulated depreciation	(11,686)	(11,407)
	650	**929**
Motor vehicles		
At cost	35,504	35,504
Less accumulated depreciation	(18,360)	(12,645)
	17,144	**22,859**

	2019 $	2018 $
Note 8. Property, plant and equipment (continued)		
Furniture and fittings		
At cost	151,771	151,771
Less accumulated depreciation	(128,431)	(121,870)
	23,340	**29,901**
Total property, plant and equipment	**156,786**	**172,744**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	119,055	46,650
Additions	-	74,265
Disposals	-	-
Depreciation expense	(3,403)	(1,860)
Balance at the end of the reporting period	**115,652**	**119,055**
Computer Software		
Balance at the beginning of the reporting period	929	1,327
Additions	-	-
Disposals	-	-
Depreciation expense	(279)	(398)
balance at the end of the reporting period	**650**	**929**
Motor vehicles		
Balance at the beginning of the reporting period	22,859	29,182
Additions	-	-
Disposals	-	-
Depreciation expense	(5,715)	(6,323)
Balance at the end of the reporting period	**17,144**	**22,859**
Furniture and fittings		
Balance at the beginning of the reporting period	29,901	20,734
Additions	-	14,268
Disposals	-	-
Depreciation expense	(6,561)	(5,101)
Balance at the end of the reporting period	**23,340**	**29,901**

Notes to the financial statements (continued)

	2019 $	2018 $
Note 8. Property, plant and equipment (continued)		
Total property, plant and equipment		
Balance at the beginning of the reporting period	172,744	97,893
Additions	-	88,533
Disposals	-	-
Depreciation expense	(15,958)	(13,682)
Balance at the end of the reporting period	**156,786**	**172,744**

Note 9. Intangible assets

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

	2019 $	2018 $
Franchise fee		
At cost	15,553	15,553
Less accumulated amortisation	(12,961)	(12,961)
	2,592	**2,592**
Renewal processing fee		
At cost	-	57,684
Less accumulated amortisation	-	(57,684)
	-	**-**
Total intangible assets	**2,592**	**2,592**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	2,592	399
Additions	15,553	15,553
Disposals	-	-
Amortisation expense	(15,553)	(13,360)
Balance at the end of the reporting period	**2,592**	**2,592**

	2019 $	2018 $
Note 9. Intangible assets (continued)		
Renewal processing fee		
Balance at the beginning of the reporting period	-	1,991
Additions	-	-
Disposals	-	-
Amortisation expense	-	(1,991)
Balance at the end of the reporting period	**-**	**-**
Total intangible assets		
Balance at the beginning of the reporting period	2,592	2,390
Additions	15,553	15,553
Disposals	-	-
Amortisation expense	(15,553)	(15,351)
Balance at the end of the reporting period	**2,592**	**2,592**

Note 10. Trade and other payables

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.

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	25,088	14,810
Other creditors and accruals	17,748	7,839
	42,836	**22,649**

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

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.

Notes to the financial statements (continued)

Note 12. Borrowings

Finance 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 recognising 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 recognised as expenses in the periods in which they are incurred.

	2019 $	2018 $
Current		
Secured liabilities		
Chattel mortgage	7,919	7,919
Non-current		
Secured liabilities		
Chattel mortgage	2,283	9,511
Total borrowings	**10,202**	**17,430**

The finance lease of motor vehicle, which commenced in 2016, is a 4 year lease. Interest is recognised at an average rate of 4.88%.

(a) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Note 13. Provisions

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.

Note 13. Provisions (continued)

Other long-term employee benefits

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

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

	2019 $	2018 $
Current		
Provision for annual leave	13,526	19,407
Provision for long service leave	8,579	-
	22,105	**19,407**
Non-current		
Provision for long service leave	**11,914**	**11,130**
Total provisions	**34,019**	**30,537**

Note 14. Share capital

Ordinary shares are classified as equity.

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

	2019 $	2018 $
755,660 Ordinary shares fully paid	755,660	755,660
188,907 Buy back of ordinary shares	(188,907)	-
Less: Equity raising costs	(25,860)	(25,860)
	540,893	**729,800**

Notes to the financial statements (continued)

Note 14. Share capital (continued)

	2019 $	2018 $
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	755,660	755,660
Shares issued during the year	-	-
Share buy back issued during the year	(188,907)	-
At the end of the reporting period	**566,753**	**755,660**

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.

Share Buy-back

The company decided to offer its shareholders an option of a share buy back at $1.00 per share.

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.

Notes to the financial statements (continued)

Note 15. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the reporting period	(110,821)	(113,149)
Profit after income tax	64,133	47,668
Dividends paid	(30,226)	(45,340)
Balance at the end of the reporting period	**(76,914)**	**(110,821)**

Note 16. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
a. Dividends paid or provided for during the year		
Fully franked ordinary dividend of 4 cents per share (2018: unfranked 6 cents)	30,226	45,340
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.		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
• franking account balance as at the end of the financial year	56,994	35,664
• franking debits that will arise from refund of income tax as at the end of the financial year	(4,140)	
• franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:		
Net franking credits available	**52,854**	**35,664**

Note 17. Earnings per share

<u>Basic earnings per share</u>

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

Notes to the financial statements (continued)

	2019 $	2018 $
Note 17. Earnings per share (continued)		
Basic earnings per share (cents)	11.32	6.31
Earnings used in calculating basic earnings per share	64,133	47,668
Weighted average number of ordinary shares used in calculating basic earnings per share.	566,753	755,660

Note 18. Statement of cash flows

	2019 $	2018 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 6)	303,847	434,997
As per the Statement of Cash Flow	**303,847**	**434,997**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	64,133	47,668
Non-cash flows in profit		
- Depreciation	15,957	13,682
- Amortisation	15,553	15,351
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	547	(8,258)
- (increase) / decrease in prepayments and other assets	(628)	184
- (Increase) / decrease in deferred tax asset/liability	2,075	1,863
- Increase / (decrease) in trade and other payables	27,152	(16,444)
- Increase / (decrease) in current tax liability	(10,543)	(17,648)
- Increase / (decrease) in provisions	(3,482)	7,115
Net cash flows from / (used in) operating activities	**110,764**	**43,513**

Note 19. Director and related party disclosures

(a) Transactions with key management personnel and related parties

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

Haley Tudor-Harrop
Janene Ridley
Amy Chandler
Nicole Nally
Peter Valerio
John Bowen
Caroline Hodges
Caroline Trenfield (Appointed 1 February 2019)
David Mayne (Appointed 28 June 2019)
Timothy Ross (Resigned 3 May 2019)

(b) Key management personnel shareholdings

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

	2019	2018
Timothy Ross (Resigned 3 May 2019)	11,500	11,500
Haley Tudor-Harrop	5,503	5,503
Janene Ridley	-	-
Amy Chandler	1,000	1,000
Nicole Nally	3,000	3,000
Peter Valerio	-	-
John Bowen	-	-
Caroline Hodges	-	-
Caroline Trenfield (Appointed 1 February 2019)	-	-
David Mayne (Appointed 28 June 2019)	-	-
	21,003	**21,003**

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.

(c) Other key management transactions

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

Note 20. Events after the reporting period

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

Notes to the financial statements (continued)

Note 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Mansfield, 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 23. Commitments

Operating lease commitments

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

	2019 $	2018 $
Payable:		
- no later than 12 months	43,392	43,382
- between 12 months and five years	93,994	126,531
- greater than five years	-	-
Minimum lease payments	**137,386**	**169,913**

Finance lease commitments

Finance lease liabilitis are payable exclusive of GST as follows:

Payable:		
- no later than 12 months	7,919	7,919
- between 12 months and five years	2,640	10,558
- greater than five years	-	-
Minimum lease payments	**10,559**	**18,477**
Less future interest charges	(357)	(1,047)
Finance lease liability	**10,202**	**17,430**

Note 24. Company details

The registered office and principle place of business is:

Registered Office
96-98 High Street
Mansfield, Victoria 3722

Principal Place of Business
96-98 High Street
Mansfield, Victoria 3722

Note 25. Financial risk management

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 a Governance & Risk Committee which reports regularly to the Board.

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	303,847	434,997
Trade and other receivables	6	82,501	83,048
Total financial assets		**386,348**	**518,045**
Financial liabilities			
Trade and other payables	10	42,836	22,649
Borrowings	12	10,202	17,430
Total financial liabilities		**53,038**	**40,079**

(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.

Notes to the financial statements (continued)

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk exposures (continued)

None of the assets of the company are past due (2019: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.25%	303,847	303,847	-	-
Trade and other receivables	N/A	82,501	82,501	-	-
Total anticipated inflows		**386,348**	**386,348**	**-**	**-**
Financial liabilities					
Trade and other payables	N/A	42,836	42,836	-	-
Borrowings	4.88%	10,202	7,919	2,283	-
Total expected outflows		**53,038**	**50,755**	**2,283**	**-**
Net inflow / (outflow) on financial instruments		**333,310**	**335,593**	**(2,283)**	**-**

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.45%	434,997	434,997	-	-
Trade and other receivables	N/A	83,048	83,048	-	-
Total anticipated inflows		**518,045**	**518,045**	**-**	**-**
Financial liabilities					
Trade and other payables	N/A	22,649	22,649	-	-
Borrowings	4.88%	17,430	7,919	9,511	-
Total expected outflows		**40,079**	**30,568**	**9,511**	**-**
Net inflow / (outflow) on financial instruments		**477,966**	**487,477**	**(9,511)**	**-**

(c) Market risk

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

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

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

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2019		
+/- 1% in interest rates (interest income)	2,700	2,700
+/- 1% in interest rates (interest expense)	-	-
	2,700	**2,700**

	Profit $	Equity $
Note 25. Financial risk management (continued)		
(c) Market risk (continued)		
Year ended 30 June 2018		
+/- 1% in interest rates (interest income)	4,270	4,270
+/- 1% in interest rates (interest expense)	-	-
	4,270	**4,270**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2019		2018	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	303,847	303,847	434,997	434,997
Trade and other receivables (i)	82,501	82,501	83,048	83,048
Total financial assets	**386,348**	**386,348**	**518,045**	**518,045**
Financial liabilities				
Trade and other payables (i)	42,836	42,836	22,649	22,649
Borrowings	10,202	10,202	17,430	17,430
Total financial liabilities	**53,038**	**53,038**	**40,079**	**40,079**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

In accordance with a resolution of the Directors of Mansfield & District Community Enterprises, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 39 are in accordance with the *Corporations Act 2001* and:

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

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

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

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

John Bowen
Secretary

Signed at Mansfield, Victoria on 25 September 2019.

Independent audit report

EVOLVE
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Independent Auditors Report to the Members of

Mansfield & District Community Enterprises Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mansfield & District Community Enterprises Limited (the company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Mansfield & District Community Enterprises Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the year 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. Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Report* section of our report. 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 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.

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

BENDIGO
3 Kennedy Street, PO Box 1023, Bendigo VIC 3552
P: 03 5441 4966 • F: 03 5441 8654

ECHUCA
211 Anstruther Street, PO Box 336, Echuca, VIC, 3564
P: 03 5482 1198 • F: 03 5482 3488
www.evolveaccounting.com.au

Information Other than the Financial Report and the Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In 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 a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities 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 of 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 the 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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

Independent audit report (continued)

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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the company 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.

EVOLVE ACCOUNTING SOLUTIONS

Paul J Best – Partner
Registered Company Auditor

211 Anstruther Street
Echuca, VIC 3564

Dated this 13th day of September 2019

Mansfield & District Community Bank Branch
96 -98 High Street, Mansfield VIC 3722
Phone: (03) 5775 3273 Fax: (03) 5779 1973

Franchisee: Mansfield & District Community Enterprises Ltd
96 -98 High Street, Mansfield VIC 3722
ABN: 92 124 069 914
www.bendigobank.com.au/mansfield

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