# Maroondah Community Enterprises Limited

ABN 91 103 341 993


# 2019 Annual Report

Ringwood East Community Bank Branch
Heathmont Community Bank Branch

# Contents

# Chairman's report

For year ending 30 June 2019

This year we celebrated 16 years of service to the community of Ringwood East and Heathmont, and Bendigo celebrated 21 years of community banking around Australia.

When you look at the statistics, there has been over 320 Bendigo Community Bank branches open in 20 years whilst all the 'big 4 banks' are continuing to close their doors. Over $220 million has been invested back into local communities around the country. The Community Bank model employs over 1,300 local people with over 1,500 Directors on Boards. The model has proven the test of time and is now considered Australia's fifth largest bank. It also was recognised as the most trusted brand coming in at number three and the only bank in the top 10.

Bendigo are now a true competitor in the banking business. We can offer the full range of services like the majors with very competitive rates. One of the features of the model is that our staff provide a fantastic customer experience when they walk in the front door.

I say each year that this year has been a very busy year. The royal commission has seen an increase in customer enquiry moving away from the major banks as consumers recognise a lack of trust with the majors. Bendigo Bank have avoided being in the headlines. Bendigo offer competitive rates and great services whilst our profits stay in benefiting our local community.

Heathmont Community Bank Branch has grown at a slower rate than expected, the Board made the decision not to replace the Branch Manager for 10 months whilst the royal commission investigation was in progress, along with the decline in property prices and reduced sales in the real estate market happening at the time. This decision has allowed us to keep on track with the projected profit that was budgeted moving forward.

Jade Mainwaring as Branch Manager has provided great stability with our people with her great organisational and management skills along with true passion for our customers and community. Like any business our staff are our greatest assets. Our staff are continually being upskilled with their product knowledge. I would like to thank all the staff for their efforts this year which saw both branches reaching most of their KPI's. Ringwood East Community Bank Branch also won an award this year at the regional awards for insurance knowledge, which is now two years in a row.

The staffing restructure saw our two mobile lenders reduced to one with Mark Challen deciding to retire so he and his wife Julie can spend time travelling and enjoying time with their first grandchild.

Bendigo Bank developed agency agreements that will enable businesses to receive a small payment for the referrals. The mobile lenders have expanded their contacts with a range of different referral sources such as accountants, real estate agents and solicitors which are referring business. The lenders are happy to visit you at home, at work or after hours. Adam Simpson is based at Heathmont.

The community hub is now five years old and has paid dividends. The room is used over 30 times a month – we have seen increased business from our community groups, and we have seen new business from local customers who have used the coffee shop as well. Anne Hoare (financial planner of the year) is our Bendigo Bank financial planner who is based in the community hub. It's great to have her expertise next door for all our financial planning and wealth products, providing added support to our customers.

The Branch Manager's report will highlight the banking performance for the last 12 months so please read Jade's report.

Other highlights have seen our relationship with Maroondah Hospital continue. We are in discussion with the hospital to install a pop-up business in the main reception area that will provide non cash transactions for Eastern Health staff, patients and visitors. All new business that is generated will provide an income back to Eastern Health Foundation to enable them to purchase new medical equipment along with funds for research grants. Eastern Health recently took out the number one research hospital in Australia.

# Chairman's report (continued)

I would like to acknowledge the hard work and efforts of the staff, the Board and Sub Committees. I would like to congratulate Sharon on 15 years of service with Bendigo Bank. I would like to thank Rhonda Gailey as chair of HR.

If you are interested in becoming involved in our Sub Committees/Board please do not hesitate to give me a call.

I would also like to thank Craig Thomas and Neville Wiles our Regional Management team at Bendigo and Adelaide Bank Limited. Bendigo has recently gone through a reshuffle that saw Craig and Neville move from our region.
We welcome Chris Cahir as our new Regional Manager. We are fortunate to have these guys as our partners representing the Bank.

I hope to be able to share with you some very exciting news in the coming six months. As the banking landscape changes, we need to look at ways to reduce our overheads, and look at other income streams other than banking. There is currently an application before council to further develop 60 Railway Avenue with a larger community space and more offices, along with a leased business opportunity that will provide an income stream for the organisation and reduce our overheads.

We find ourselves in a strong financial position that enables us to carefully plan our next phase of growth and Community Investment programs. We look forward to updating you on a regular basis on our progress.

**Stuart Greig**
**Chairman**

# Manager's report

## For year ending 30 June 2019

In my second year as Manager, I'm once again privileged to contribute to the Annual Report on behalf of the Ringwood East and Heathmont Community Bank branches.

The 2018/19 Financial Year once again provided many reasons to celebrate in another challenging year for the industry. Here are just a few of the highlights:

- Heathmont Community Bank Branch celebrated its 10th Birthday in February 2019, marking the occasion with a Community Street Party
- Ringwood East Community Bank Branch broke the $250 million mark, to end the financial year with $20 million in overall business growth
- We welcomed our first ever Trainee in Caitlin Scully, who within three months we made a permanent member of our team
- Angela Mitchell celebrated 10 years with the Group, and Sharon O'Neill 15 years. A truly amazing effort from both.

A busy year for the two branches, with Ringwood East and Heathmont together servicing over 52,450 customers, opening 1,401 new accounts, and achieving positive overall growth to put the total combined banking business at $378 million. As a result, our return on your investment in us is now heading towards $2.7 million by way of sponsorships, grants and community investments.

The staff have once again shown resilience and a continued passion for our Brand throughout staff shortages, illnesses and changing industry landscapes and I'd like to thank Angela, Ann, Sharon, Adam, Tony, Sheree, Sheridan, Caitlin, Faye and Jodie for continuing to be the smiling faces of these two branches. I'd also like to thank the MCEL Board for their continued support and belief in me as a leader.

In March 2019 we farewelled a member of the team with Mark Challen transitioning into retirement together with his wife Julie. We thank Mark for the foundations he built, and his contribution to the success of the Ringwood East Community Bank Branch and wish him all the very best in his retirement.

Our focus for the next financial year is to continue to build agile, resilient teams that can move with our changing landscape, and consumer needs. We will continue to find new ways to give back to the community that invests in us and leverage off those existing.

On a final note – growing our business is fundamental in our ability to continue to give back to our community. I encourage you to experience the Community Bank model when it comes to your banking and share the point of difference that you as a customer deserve.

Thanking you

**Jade Mainwaring**
**Manager**

# Directors' report

## For the financial year ended 30 June 2019

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

**Directors**

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

**Stuart Robert Greig**

Chairman

Occupation: Real Estate Agent

Qualifications, experience and expertise: Stuart has been the Chairman of the company since inception and is actively involved in community activities including the Ringwood East Traders Association. Stuart has worked in the real estate & building industry for 30 years and is on the sponsorship committee of Norwood Football Club.

Special responsibilities: Chair of Special Projects Committee, Marketing Committee and HR Committee

Interest in shares: 6,002

**Christopher Henry Monaghan**

Deputy Chairman

Occupation: Circulation Manager

Qualifications, experience and expertise: Chris has extensive experience in the media industry managing Operations, Sales and Distribution Divisions. He has managed large scale projects and large teams of people to achieve positive results. For many years Chris also ran a Management Consultancy business working with state and local Government. Locally Chris has worked with MCEL to assist in establishing the Heathmont branch and continues to be involved in local sporting clubs.

Special responsibilities: Deputy Chairman and Chair of Nominations Committee

Interest in shares: 500

**William Pirie Sutherland**

Director

Occupation: Retired

Qualifications, experience and expertise: Bill has recently retired as a Financial Controller having previously been in banking for 29 years and a retail owner for 13.5 years. He holds a degree in Banking (ABIA) and has been involved in both local Lions and Rotary Clubs for 18 years. Current member of the Probus Club, Lilydale.

Special responsibilities: Special Projects and Marketing Committees

Interest in shares: 10,000

**Anthony Morris Hart**

Director

Occupation: Company Director

Qualifications, experience and expertise: Tony is a Cafe / Restaurant owner for the past 5 years and a Bakers Delight owner in Heathmont for the past 18 years. His previous experience includes a senior position with National Australia Bank for over 30 years. A commissioned officer with the Australian Defence Force, full time and reserve for 15 years. He is currently the Vice President of the Ringwood Chamber of Commerce and a member of Heathmont Lions Club.

Special responsibilities: HR Sub Committee and Nominations Committee

Interest in shares: 1,000

**Directors (continued)**

**Arthur Michael Corcoris**

Director

Occupation: Manager / Director

Qualifications, experience and expertise: Arthur was one of the founding director's of the company and has been involved in the local community of Ringwood for over 42 years and Heathmont for 9 years through ownership of supermarket businesses. Arthur is the proprietor of the Local IGA Supermarkets in Ringwood East and Heathmont, overseeing the running of the businesses to supply to the local community the best products and especially locally produced and manufactured goods at the best price.

Special responsibilities: Major Developments Committee

Interest in shares: 40,002

**Matthew Mark Cannon**

Treasurer and Secretary

Occupation: Certified Practising Accountant

Qualifications, experience and expertise: Matthew is a Certified Practising Account, Registered Tax Agent and holds a Masters in Applied Finance. He has held senior finance positions within listed corporate companies and also has experience in business service advisory and virtual CFO consulting in the small and medium business services industry.

Special responsibilities: Chair of Finance Committee & Treasurer

Interest in shares: Nil

**Robert Lindsay Steane**

Director

Occupation: Liquor Licensing Consultant

Qualifications, experience and expertise: Current Councillor for the City of Maroondah, elected 2008. Current Chair of Council's Community Safety Committee and Deputy Chair of National Local Government Safe Cities Network. Former Mayor 2011 – 2012. Former member of Council's Audit Advisory Committee, former member of School Council at Melba Collage, former member of School Council at Croydon Hills Primary School. Former Police Sergeant (Victoria Police 1981 – 1997).

Special Responsibilities: NIL

Interest in Shares: 2,000

**Rhonda Gailey**

Director (Appointed 4 December 2018)

Occupation: Manager Corporate Development

Qualifications, experience and expertise: Rhonda is a business professional with all-round management experience within the accounting and health & medical device sectors. She recently completed her Masters of Business Administration from Deakin University and also holds a Graduate Diploma in Accounting (Monash University) and a BA (LaTrobe University). Rhonda and her family are active locals of the Heathmont and wider communities.

Special responsibilities: None

Interest in shares: Nil

**Directors (continued)**

**Janet Ruth McGannon**

Director (Resigned 4 December 2018)

Occupation: Management Consultant

Qualifications, experience and expertise: Janet has been a Ringwood East resident for over 20 years. She has been a management consultant with her own business for more than 13 years, with extensive experience in working with Government in human resources, industrial relations and organisation development.

Former directorships: TLC Support Inc

Special responsibilities: Chair of HR Committee

Interest in shares: 10,002

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

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

**Company Secretary**

The company secretary is Matthew Mark Cannon. Matthew was appointed to the position of secretary on 9 March 2017.

Mr Cannon is a Certified Practising Accountant, Registered Tax Agent and holds a Masters of Applied Finance. Matthew is a director of an accountancy practice located in Ringwood East and for 5 years prior to that he held senior finance positions at listed companies and held various business services advisory roles in accounting practices in the small and medium business services industry.

**Principal Activities**

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

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

**Operating results**

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

| Year ended 30 June 2019 $ | Year ended 30 June 2018 $ |
|---|---|
| 174,688 | 150,897 |

**Dividends**

| | Year ended 30 June 2019 | |
|---|---|---|
| | Cents | $ |
| Dividends paid in the year: | | |
| - Normal Dividend | 4 | 72,325 |

**Significant changes in the state of affairs**

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

**Events since the end of the financial year**

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

**Likely developments**

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

**Environmental regulation**

The company is not subject to any significant environmental regulation.

**Directors' benefits**

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note's 19 & 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

**Indemnification and insurance of directors and officers**

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

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

**Directors' meetings**

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

| | Board Meetings Attended | | Committee Meetings Attended | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Finance | | Human Resources | | Marketing & Sponsorship | |
| | A | B | A | B | A | B | A | B |
| Stuart Robert Greig | 11 | 10 | 3 | 3 | 7 | 7 | 7 | 7 |
| Christopher Henry Monaghan | 11 | 10 | | | | | | |
| William Pirie Sutherland | 11 | 10 | 3 | 3 | | | 7 | 7 |
| Anthony Morris Hart | 11 | 10 | | | | | | |
| Arthur Michael Corcoris | 11 | 7 | | | | | | |
| Matthew Mark Cannon | 11 | 9 | 3 | 3 | | | | |
| Robert Lindsay Steane | 11 | 8 | | | | | 7 | 7 |
| Rhonda Gailey * | 7 | 7 | | | 5 | 5 | | |
| Janet Ruth McGannon ** | 6 | 4 | | | 3 | 3 | | |

A - eligible to attend
B - number attended

* - (Appointed 4th December 2018)
** - (Resigned 4th December 2018)

### Proceedings on behalf of the company

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

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

### Non audit services

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

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

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

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

### Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Ringwood East, Victoria on 26th of September 2019.

**Stuart Robert Greig**
**Chair**

# Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

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

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

**Andrew Frewin Stewart**
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2019

**Joshua Griffin**
**Lead Auditor**

Taxation | Audit | Business Services

# Financial statements

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

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| Revenue from ordinary activities | 4 | 2,265,445 | 2,230,374 |
| Employee benefits expense | | (1,207,634) | (1,220,899) |
| Charitable donations, sponsorship, advertising and promotion | | (135,214) | (132,961) |
| Occupancy and associated costs | | (189,639) | (184,974) |
| Systems costs | | (64,563) | (62,532) |
| Depreciation and amortisation expense | 5 | (110,775) | (111,887) |
| General administration expenses | | (312,732) | (306,184) |
| **Profit before income tax expense** | | **244,888** | **210,937** |
| Income tax expense | 6 | (70,200) | (60,040) |
| **Profit after income tax expense** | | **174,688** | **150,897** |
| **Total comprehensive income for the year attributable to the ordinary shareholders of the company:** | | **174,688** | **150,897** |

| | | | |
|---|---|---|---|
| **Earnings per share** | | **¢** | **¢** |
| Basic earnings per share | 22 | 9.66 | 8.35 |

The accompanying notes form part of these financial statements.

## Balance Sheet
## as at 30 June 2019

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 1,254,039 | 1,087,706 |
| Trade and other receivables | 8 | 250,121 | 277,438 |
| **Total current assets** | | **1,504,160** | **1,365,144** |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 1,196,790 | 1,225,176 |
| Intangible assets | 10 | 122,086 | 16,274 |
| Deferred tax asset | 11 | 98,897 | 92,560 |
| **Total non-current assets** | | **1,417,773** | **1,334,010** |
| **Total assets** | | **2,921,933** | **2,699,154** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Current tax liabilities | 11 | 36,734 | 24,750 |
| Trade and other payables | 12 | 105,005 | 79,359 |
| Provisions | 13 | 117,230 | 125,512 |
| **Total current liabilities** | | **258,969** | **229,621** |
| **Non-current liabilities** | | | |
| Trade and other payables | 12 | 90,401 | - |
| Provisions | 13 | 12,396 | 11,729 |
| **Total non-current liabilities** | | **102,797** | **11,729** |
| **Total liabilities** | | **361,766** | **241,350** |
| **Net assets** | | **2,560,167** | **2,457,804** |
| **EQUITY** | | | |
| Issued capital | 14 | 1,073,286 | 1,073,286 |
| Retained earnings | 15 | 1,486,881 | 1,384,518 |
| **Total equity** | | **2,560,167** | **2,457,804** |

The accompanying notes form part of these financial statements.

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

| | Note | Issued capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2017 | | 1,073,286 | 1,305,945 | 2,379,231 |
| Total comprehensive income for the year | | - | 150,897 | 150,897 |
| **Transactions with owners in their capacity as owners:** | | | | |
| Shares issued during period | | - | - | - |
| Costs of issuing shares | | - | - | - |
| Dividends provided for or paid | 20 | - | (72,324) | (72,324) |
| **Balance at 30 June 2018** | | **1,073,286** | **1,384,518** | **2,457,804** |
| Balance at 1 July 2018 | | 1,073,286 | 1,384,518 | 2,457,804 |
| Total comprehensive income for the year | | - | 174,688 | 174,688 |
| **Transactions with owners in their capacity as owners:** | | | | |
| Shares issued during period | | - | - | - |
| Costs of issuing shares | | - | - | - |
| Dividends provided for or paid | 20 | - | (72,325) | (72,325) |
| **Balance at 30 June 2019** | | **1,073,286** | **1,486,881** | **2,560,167** |

The accompanying notes form part of these financial statements.

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

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 2,467,546 | 2,416,909 |
| Payments to suppliers and employees | | (2,108,814) | (2,083,234) |
| Interest received | | 15,572 | 15,969 |
| Rent received | | 11,636 | 11,297 |
| Income taxes paid | | (64,551) | (130,173) |
| **Net cash used in operating activities** | **16** | **321,389** | **230,768** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (56,363) | (97,103) |
| Payments for intangible assets | | (26,368) | (3,100) |
| **Net cash provided used in investing activities** | | **(82,731)** | **(100,203)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | | |
| Repayment of borrowings | | | |
| Dividends paid | 20 | (72,325) | (72,325) |
| **Net cash provided used in financing activities** | | **(72,325)** | **(72,325)** |
| **Net increase in cash held** | | **166,333** | **58,240** |
| Cash and cash equivalents at the beginning of the financial year | | 1,087,706 | 1,029,466 |
| **Cash and cash equivalents at the end of the financial year** | **7(a)** | **1,254,039** | **1,087,706** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

For year ended 30 June 2019

## Note 1. Summary of significant accounting policies

**a) Basis of preparation**

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

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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

<u>Historical cost convention</u>

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

<u>Comparative figures</u>

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

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

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

AASB 15 Revenue from Contracts with Customers

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

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

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

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

**a) Basis of preparation (continued)**

Application of new and amended accounting standards (continued)

AASB 15 Revenue from Contracts with Customers (continued)

The company has applied this standard using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for the year ended 30 June 2018 has not been restated.

AASB 9 Financial Instruments

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

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

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

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

AASB 16 Leases

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard 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.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2019, the company's future minimum lease payment under non-cancellable operating leases amount to $1,360,793, on an undiscounted basis (see Note 18).

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2019, the company's future minimum lease payment under non-cancellable operating leases amount to $1,360,793, on an undiscounted basis (see Note 18).

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branches at Ringwood East and Heathmont Victoria.

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

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

**a) Basis of preparation (continued)**

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

**b) Revenue**

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

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

Revenue calculation

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

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

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

**b) Revenue (continued)**

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

**b) Revenue (continued)**

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

**c) Income tax**

Current tax

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

Deferred tax

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

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

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

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

**c) Income tax (continued)**

Deferred tax (continued)

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

Current and deferred tax for the period

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

**d) Employee entitlements**

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

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

**e) Cash and cash equivalents**

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

**f) Trade receivables and payables**

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

**g) Property, plant and equipment**

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

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

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

- leasehold improvements 5 - 15 years
- plant and equipment 2.5 - 40 years

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

**h) Intangibles**

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

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

**i) Payment terms**

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

**j) Borrowings**

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

**k) Financial instruments**

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(iv) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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

**k) Financial Instruments (continued)**

Classification and subsequent measurement (continued)

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

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

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

**k) Financial Instruments (continued)**

Impairment (continued)

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

**l) Leases**

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

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

**m) Provisions**

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

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

**n) Issued capital**

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

**o) Earnings per share**

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

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

**p) Goods and Services Tax**

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

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

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

## Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

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

## Note 2. Financial risk management (continued)

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

## Note 3. Critical accounting estimates and judgements

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

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

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

## Note 4. Revenue from ordinary activities

| | | |
|---|---|---|
| Operating activities: | | |
| - gross margin | 1,825,295 | 1,834,793 |
| - services commissions | 176,692 | 163,473 |
| - fee income | 151,603 | 157,348 |
| - market development fund | 35,000 | 35,000 |
| **Total revenue from operating activities** | **2,188,590** | **2,190,614** |
| Non-operating activities: | | |
| - interest received | 19,591 | 14,523 |
| - rental revenue | 11,636 | 11,297 |
| - other revenue | 45,628 | 13,940 |
| **Total revenue from non-operating activities** | **76,855** | **39,760** |
| **Total revenues from ordinary activities** | **2,265,445** | **2,230,374** |

## Note 5. Expenses

| | | |
|---|---|---|
| Depreciation of non-current assets: | | |
| - plant and equipment | 28,729 | 34,205 |
| - leasehold improvements | 37,039 | 31,772 |
| - buildings | 18,224 | 18,224 |
| - motor vehicles | 757 | 516 |
| Amortisation of non-current assets: | | |
| - franchise fee | 4,336 | 4,530 |
| - franchise renewal fee | 21,690 | 22,640 |
| | **110,775** | **111,887** |
| **Bad Debts** | **3,206** | **3,288** |

## Note 6. Income tax expense

| | | |
|---|---|---|
| The components of tax expense comprise: | | |
| - Current tax | 76,537 | 79,390 |
| - Movement in deferred tax | (6,337) | (19,350) |
| | **70,200** | **60,040** |

## Note 6. Income tax expense (continued)

| | 2019 $ | 2018 $ |
|---|---|---|
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows | | |
| Operating profit | 244,888 | 210,937 |
| Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%) | 67,344 | 58,008 |
| Add tax effect of: | | |
| - non-deductible expenses | 2,856 | 1,811 |
| - timing difference expenses | 6,337 | 17,096 |
| | **76,537** | **76,915** |
| Movement in deferred tax | (6,337) | (16,875) |
| | **70,200** | **60,040** |

## Note 7. Cash and cash equivalents

| | | |
|---|---|---|
| Cash at bank and on hand | 227,026 | 276,266 |
| Term deposits | 1,027,013 | 811,440 |
| | **1,254,039** | **1,087,706** |
| **Note 7.(a) Reconciliation to cash flow statement** | | |
| The above figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year as follows: | | |
| Cash at bank and on hand | 227,026 | 276,266 |
| Term deposits | 1,027,013 | 811,440 |
| | **1,254,039** | **1,087,706** |

## Note 8. Trade and other receivables

| | | |
|---|---|---|
| Trade receivables | 179,954 | 191,860 |
| Prepayments | 43,712 | 64,419 |
| Other receivables and accruals | 26,455 | 21,159 |
| | **250,121** | **277,438** |

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

## Note 9. Property, plant and equipment

| | 2019 $ | 2018 $ |
|---|---|---|
| Land and buildings | | |
| Freehold land | | |
| **At cost** | **285,000** | **285,000** |
| Buildings | | |
| At cost | 728,953 | 728,953 |
| Less accumulated depreciation | (116,237) | (98,013) |
| | **612,716** | **630,940** |
| Leasehold improvements | | |
| At cost | 488,871 | 442,723 |
| Less accumulated depreciation | (287,038) | (249,682) |
| | **201,833** | **193,041** |
| Plant and equipment | | |
| At cost | 295,952 | 295,114 |
| Less accumulated depreciation | (202,421) | (183,386) |
| | **93,531** | **111,728** |
| Motor vehicles | | |
| At cost | 103,531 | 103,531 |
| Less accumulated depreciation | (99,821) | (99,064) |
| | **3,710** | **4,467** |
| **Total written down amount** | **1,196,790** | **1,225,176** |
| **Movements in carrying amounts:** | | |
| Land | | |
| Carrying amount at beginning | 285,000 | 285,000 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | - | - |
| **Carrying amount at end** | **285,000** | **285,000** |
| Buildings | | |
| Carrying amount at beginning | 630,940 | 649,164 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | (18,224) | (18,224) |
| **Carrying amount at end** | **612,716** | **630,940** |

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

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

| | 2019 $ | 2018 $ |
|---|---|---|
| Leasehold improvements | | |
| Carrying amount at beginning | 193,041 | 184,517 |
| Additions | 46,148 | 40,296 |
| Disposals | - | - |
| Less: depreciation expense | (37,356) | (31,772) |
| **Carrying amount at end** | **201,833** | **193,041** |
| Plant and equipment | | |
| Carrying amount at beginning | 111,728 | 94,026 |
| Additions | 10,215 | 51,907 |
| Disposals | - | - |
| Less: depreciation expense | (28,412) | (34,205) |
| **Carrying amount at end** | **93,531** | **111,728** |
| Motor vehicles | | |
| Carrying amount at beginning | 4,467 | 84 |
| Additions | - | 4,900 |
| Disposals | - | - |
| Less: depreciation expense | (757) | (517) |
| **Carrying amount at end** | **3,710** | **4,467** |
| **Total written down amount** | **1,196,790** | **1,225,176** |

## Note 10. Intangible assets

| | 2019 $ | 2018 $ |
|---|---|---|
| Franchise fee | | |
| At cost | 56,252 | 34,278 |
| Less: accumulated amortisation | (35,903) | (31,567) |
| | **20,349** | **2,711** |
| Renewal processing fee | | |
| At cost | 301,249 | 191,385 |
| Less: accumulated amortisation | (199,512) | (177,822) |
| | **101,737** | **13,563** |
| **Total written down amount** | **122,086** | **16,274** |

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

## Note 11. Tax

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current:** | | |
| **Income tax payable** | **36,734** | **24,750** |
| **Non-current:** | | |
| Deferred tax assets | | |
| - employee provisions | 35,647 | 37,741 |
| - property, plant and equipment | 63,226 | 54,712 |
| - superannuation payable | 24 | 107 |
| | **98,897** | **92,560** |
| **Net deferred tax asset** | **98,897** | **92,560** |
| **Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income** | **(6,337)** | **(19,350)** |

## Note 12. Trade and other payables

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current:** | | |
| Trade creditors | 25,601 | 28,262 |
| Other creditors and accruals | 79,404 | 51,097 |
| | **105,005** | **79,359** |
| **Non - Current:** | | |
| **Other creditors and accruals** | **90,401** | **-** |

## Note 13. Provisions

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current:** | | |
| Provision for annual leave | 51,944 | 60,040 |
| Provision for long service leave | 65,286 | 65,472 |
| | **117,230** | **125,512.00** |
| **Non-current:** | | |
| **Provision for long service leave** | **12,396** | **11,729** |

## Note 14. Issued capital

| | 2019 $ | 2018 $ |
|---|---|---|
| 1,808,118 ordinary shares fully paid (2018: 1,808,118) | 1,148,109 | 1,148,109 |
| Less: equity raising expenses | (74,823) | (74,823) |
| | **1,073,286** | **1,073,286** |

## Note 14. Issued capital (continued)

**Rights attached to shares**

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

**Prohibited shareholding interest**

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 386. As at the date of this report, the company had 366 shareholders.

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

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

## Note 14. Issued capital (continued)

**Prohibited shareholding interest (continued)**

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

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

## Note 15. Retained earnings

| | 2019 $ | 2018 $ |
|---|---|---|
| Balance at the beginning of the financial year | 1,384,518 | 1,305,945 |
| Net profit from ordinary activities after income tax | 174,688 | 150,897 |
| Dividends paid or provided for | (72,325) | (72,324) |
| **Balance at the end of the financial year** | **1,486,881** | **1,384,518** |

## Note 16. Statement of cash flows

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

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit from ordinary activities after income tax | 174,688 | 150,897 |
| Non cash items: | | |
| - depreciation | 84,749 | 84,717 |
| - amortisation | 26,026 | 27,170 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | 27,317 | (7,622) |
| - (increase)/decrease in other assets | (111,807) | 13,373 |
| - increase/(decrease) in payables | 116,074 | (2,239) |
| - increase/(decrease) in provisions | (7,615) | 34,605 |
| - increase/(decrease) in deferred tax assets | (6,336) | (19,350) |
| - increase/(decrease) in other liabilities | 18,320 | - |
| - increase/(decrease) in current tax liabilities | 11,984 | (50,783) |
| **Net cash flows provided by operating activities** | **333,400** | **230,768** |

## Note 17. Leases

| | 2019 $ | 2018 $ |
|---|---|---|
| Operating lease commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments: | | |
| - not later than 12 months | 110,436 | 110,034 |
| - between 12 months and 5 years | 148,494 | 259,632 |
| | **258,930** | **369,666** |

The Heathmont lease is a non-cancellable lease with a five-year term with the option of two further terms of five years. The company entered into the lease on 1 September 2016, with rent payable monthly in advance.

The Ringwood East lease is a non-cancellable lease with a five-year term with the option of two further terms of five years. The company entered into the lease on 10 November 2016, with rent payable monthly in advance.

## Note 18. Auditors' remuneration

| | 2019 $ | 2018 $ |
|---|---|---|
| Amounts received or due and receivable by the auditor of the company for: | | |
| - audit and review services | 4,600 | 6,400 |
| - other non audit services | 1,200 | 745 |
| | **5,800** | **7,145** |

## Note 19. Director and related party disclosures

| | | |
|---|---|---|
| The names of directors who have held office during the financial year are: | | |
| Nammin Pty Ltd, a company associated with Stuart Robert Greig, supplied services or goods to the value of: | - | 3,850 |
| Stuart Grieg, supplied services or goods to the value of: | 15,000 | 8,250 |
| Focus Financial Group Pty Ltd, a company associated with Matthew Mark Cannon, supplied services or goods to the value of: | 31,750 | 17,655 |
| Pauls IGA, a company associated with Arthur Michael Corcoris, supplied services or goods to the value of: | 14,023 | 4,940 |
| William Pirie Sutherland, supplied services or goods to the value of: | - | 1,525 |

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

## Note 19. Director and related party disclosures (continued)

| Directors' Shareholdings | | |
|---|---|---|
| Stuart Robert Greig | 6,002 | 6,002 |
| Christopher Henry Monaghan | 500 | 500 |
| William Pirie Sutherland | 10,500 | 10,000 |
| Anthony Morris Hart | 1,000 | 1,000 |
| Arthur Michael Corcoris | 40,002 | 40,002 |
| Matthew Mark Cannon | - | - |
| Robert Lindsay Steane | 2,000 | 2,000 |
| Rhonda Gailey (Appointed 4 December 2018) | - | - |
| Janet Ruth McGannon (Resigned 4 December 2018) | 10,002 | 10,002 |

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

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Note 20. Dividends provided for or paid** | | |
| **a. Dividends paid during the year** | | |
| Current year dividend | | |
| **100% (2018: 100%) franked dividend - 4 cents (2018:4 cents) per share** | **72,325** | **72,325** |
| The tax rate at which dividends have been franked is 27.5% (2018: 27.5%). | | |
| **d. Franking account balance** | | |
| Franking credits available for subsequent reporting periods are: | | |
| - franking account balance as at the end of the financial year | 749,583 | 738,268 |
| - franking credits that will arise from payment of income tax as at the end of the financial year | 16,991 | 11,315 |
| - 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:** | **766,574** | **749,583** |
| - franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period | - | - |
| **Net franking credits available** | **766,574** | **749,583** |

## Note 21. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Stuart Robert Greig | 19,800 | 19,800 |
| Christopher Henry Monaghan | 2,200 | 2,200 |
| William Pirie Sutherland | 2,000 | 2,000 |
| Anthony Morris Hart | 2,200 | - |
| Matthew Mark Cannon | 4,840 | 4,840 |
| Robert Lindsay Steane | 2,000 | - |
| Rhonda Gailey (Appointed 4 December 2018) | 3,200 | - |
| Janet Ruth McGannon (Resigned 4 December 2018) | - | 4,840 |
| | **36,240** | **33,680** |

**Community Bank Directors' Privileges Package**

The board has adopted the Community Bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank branches at Ringwood East and Heathmont. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $100 for the year ended 30 June 2019 (2018: $100).

## Note 22. Earnings per share

| | 2019 $ | 2018 $ |
|---|---|---|
| (a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share | 174,688 | 150,897 |
| | **Number** | **Number** |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 1,808,118 | 1,808,118 |

## Note 23. Events occurring after the reporting date

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

## Note 24. Contingent liabilities and contingent assets

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

## Note 25. Segment reporting

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

## Note 26. Registered office/Principal place of business

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

**Registered Office**
36 Railway Avenue
Ringwood East VIC 3135

**Principal Place of Business**
36 Railway Avenue
Ringwood East VIC 3135

## Note 27. Financial instruments

**Financial Instrument Composition and Maturity Analysis**

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

| | Floating interest | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| **Financial instrument** | **2019 $** | **2018 $** | **2019 $** | **2018 $** | **2019 $** | **2018 $** | **2019 $** | **2018 $** | **2019 $** | **2018 $** | **2019 %** | **2018 %** |
| **Financial assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 227,026 | 276,265 | 1,027,013 | 811,440 | - | - | - | - | - | - | 1.67 | 1.31 |
| Receivables | - | - | - | - | - | - | - | - | 179,954 | 191,860 | N/A | N/A |
| **Financial liabilities** | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | 25,601 | 28,262 | N/A | N/A |

**Net Fair Values**

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

**Credit Risk**

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

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

**Interest Rate Risk**

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

## Note 27. Financial instruments (continued)

**Sensitivity Analysis**

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

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

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Change in profit/(loss) | | |
| Increase in interest rate by 1% | 12,540 | 10,877 |
| Decrease in interest rate by 1% | 12,540 | -10,877 |
| Change in equity | | |
| Increase in interest rate by 1% | 12,540 | 10,877 |
| Decrease in interest rate by 1% | 12,540 | -10,877 |

# Independent audit report

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
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## Independent auditor's report to the members of Maroondah Community Enterprises Limited

### Report on the audit of the financial report

**Our opinion**
In our opinion, the accompanying financial report of Maroondah 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 financial performance for the year ended; and
ii. complying with Australian Accounting Standards.

**What we have audited**
Maroondah Community Enterprises Limited's (the company) financial report comprises the:

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

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

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

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

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

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

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

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

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

**Directors' responsibility for the financial report**

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

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

**Auditor's responsibility for the audit of the financial report**

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

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

**Andrew Frewin Stewart**
61 Bull Street, Bendigo, 3550
Dated: 26 September 2019

**Joshua Griffin**
**Lead Auditor**

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