Annual Report 2019

Midwest Community Enterprises Limited

Geraldton Community Bank Branch

ABN 90 132 512 460

Contents

Chairperson's report

For year ending 30 June 2019

On behalf of the Board of Directors of Midwest Community Enterprises Limited I am proud to report another year of growth in our operations, which has resulted in the continuation of our Bendigo Grants Program to Community organisations throughout the Midwest region. We have also continued our returns to shareholders for a fourth straight year and have now set up a solid base of business for future returns and are genuinely excited in what benefits will flow to our region into the future.

The continued leadership of our Branch Manager Jody Beven has been influential in driving the organisation to reach above industry levels of growth, and along with a staff of committed and community driven people, we can confidently forecast this to continue. The support and knowledge of the Board, and its voluntary contribution of time and energy, has also been an inspiration to myself, and all involved. They continue to work with enthusiasm for the benefit of the Community in general.

We continue to understand and believe that as communities reflect on the role of banking, in its purest form, as a contributor to community and not a taker from community, that the Bendigo Community Bank model will be the way forward in banking. We continue to promote this model in all areas and are buoyed by the way our customers and the community are embracing our efforts.

We urge all our shareholders and customers to become advocates of our Bank, knowing that the growth we achieve will be fed directly into growing our Community and be directed into the area's most requiring the assistance.

Finally, ... The word "community" is sometimes used as an advertising slogan, or a way to sell, or a way to link to a product which really has no relevance by other businesses .... But the pure form of the word involves a true commitment to caring, helping and assisting all in our community, and a genuine belief that we all become better people when our whole community works together.

That is why our bank is so special .... It is all about genuine Community!

It is with great pride and pleasure, on behalf of the staff and Directors of MCEL; I present the 2018/19 Annual Report.

Regards,

Rob Houwen
Chairperson

Manager's report

For year ending 30 June 2019

The 2019 financial year was a challenging but ultimately rewarding one for everyone involved in our business. For the first time since we opened back in 2009 the branch business volumes contracted during 2018/19, and yet our income and profitability increased.

Over the year total balances held by customers with us decreased by $1.6 million, but as at June 2019 we had 4,592 accounts operated by 3,465 clients (increases of 648 and 407 respectively on the prior year). This growth was consistent with previous years and represented a strong outcome during a difficult period.

The impact on total business came from the loss of a small number of large balance clients, for various reasons. While this resulted in balances decreasing, the loss of these specific clients (totalling approximately $23 million) did not have a negative impact on our income which grew by 4.61%pa thanks to the fact that we replaced the majority of the business lost with new clients who generated slightly more income.

We also maintained excellent budgetary control with a slight decrease in expenses compared to the prior year. In an environment where costs are difficult to contain, and where we continued to take on a lot of new clients, this is a very pleasing outcome.

While the low interest rate environment continued (and looks likely to well into the foreseeable future and with a severely negative impact on margins in banking), we managed to record our highest ever profit of $157,000 after allocating nearly $60,000 in our third official Grant Program, plus close to $70,000 was spent on advertising, marketing and sponsorships with local groups and organisations.

This past financial year also saw us continue in our payments to our shareholders, with another capital return of 10c per share, which resulted in $140,000 being distributed to our local community. We are confident we can maintain both a return to shareholders and distribution of grant funds every year from now on thanks to the solid business base that is now in place.

As always there have been changes in the staffing of the branch, with Kim Purcell leaving her role in Business Banking in October 2018 and Aimee Rowland going on maternity leave in March 2019. These positions are Corporate positions employed directly by Bendigo and Adelaide Bank but both ladies have been part of our team for several years and we have valued their contribution.

Kevin Bright from Rural Bank has continued to establish a strong working relationship with our staff and existing customers since joining the group in early 2016 and contributed to substantial growth in the sector of our business by bringing on more new clients to the group during the past year. He is always an active participant and contributor in our Agribusiness marketing initiatives and provides training and support to the branch staff.

Kelly Eastough, Mandy Woodman, Kate York, Melissa Nillson, Sarah Thurkle, Renee Marchetti and Tim McAuliffe remain as members of the branch team and are doing a fantastic job meeting the expectations of our customers and other stakeholders. The amount of positive feedback I get from our customers about the service provided by our staff makes me incredibly proud of the work they do every day, both in the branch and in the community.

The board, ably led by Rob Houwen, continues to provide fantastic support and direction to the staff and are looking for any opportunity to promote our business and introduce their friends and business associates to our staff. Their ongoing commitment and vision are the inspiration to our staff, and their continual review of our business planning is vital to meet the ever-changing market in which we operate.

Manager's report (continued)

The early signs for 2019/20 are that the economic and business environments are not going to get any easier, but we have built a robust business and have laid the foundations to continue to grow strongly despite the external factors. In fact, our business growth ($15 million over the past 4 months) and active opportunities are currently very strong and now more than ever we need to be flexible, agile and focussed on both short-term outcomes and long-term goals.

We ask that all our shareholders continue to support us, with your banking business and by promoting our service and experience with your families, friends and acquaintances. This support is what enables us to reward you with capital returns and future dividends.

I am looking forward to sharing our continued success with you in coming years.

Regards,

Jody Beven
Branch Manager

Return of Capital Payments History

For year ending 30 June 2019

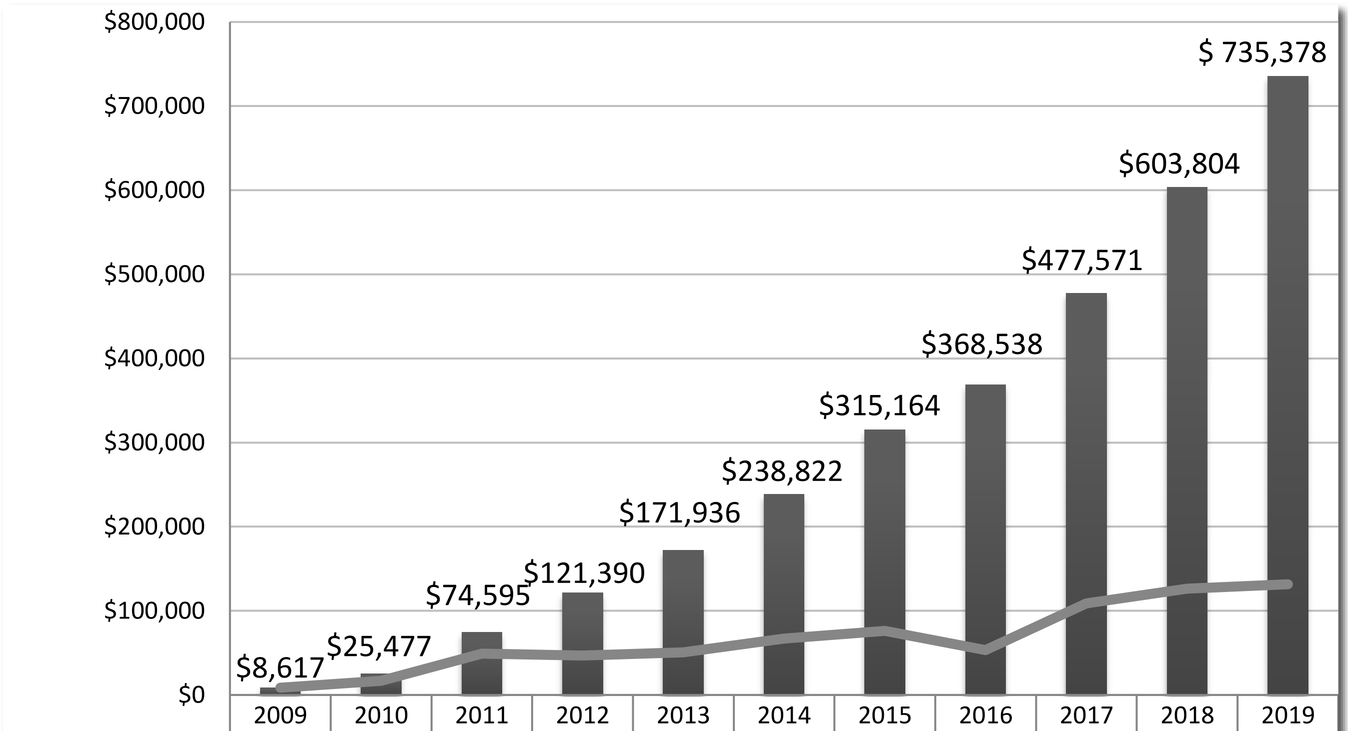
Return of Capital to Shareholders		
Financial Year	Amount Per Share	Date Paid
2018/2019	.10	30 November 2018
2017/2018	.10	30 November 2017
2016/2017	.05	30 November 2016

Sponsorship & Contributions Report

In the Financial Year 2018/2019, a total of $131,574 was contributed to the Geraldton community via grants, advertising, sponsorship, promotion and donations.

Since opening the branch in 2009, a total of $735,378 has been contributed to the Geraldton community.

Annual and cumulative contribution to Geraldton community since opening via grants, advertising, sponsorship, promotion and donation (GASPD).



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cumulative	8,617	25,477	74,595	121,390	171,936	238,822	315,164	368,538	477,571	603,804	735,378
GASPD	8,617	16,860	49,118	46,795	50,546	66,886	76,342	53,374	109,033	126,233	131,574

Sponsorship & Contributions Report (continued)

For year ending 30 June 2019

Date	Recipient	Purpose
31/07/2018	Geraldton Yacht Club	Annual sponsorship
31/07/2018	Ronald Mc Donald House	Final Yearly Collaborative Contribution
2/08/2018	Irwin Polocrosse Club	Tournament sponsorship
15/08/2018	Spalding Park Golf Club	Day sponsor
15/08/2018	Bluff Point Primary School	Mid West Education Awards sponsorship
13/09/2018	Northern Agriculture Catchments Council	Natural Resource Management Leadership Awards
16/10/2018	Geraldton Golf Club	Day sponsor
16/10/2018	Mullewa District Agricultural Society	Annual ag show sponsorship
9/11/2018	Hollomby Foundation	Scholarship at Geraldton University Centre
6/12/2018	Geraldton Pro Shop	Day sponsor
1/01/2019	Funtavia Inc.	Sponsorship 2019 Funtavia
14/01/2019	Central Regional TAFE	2019 TAFE Scholarship Program
7/02/2019	Geraldton Golf Club	Country Week Golf 2019 Naming Rights
8/02/2019	Geraldton Bikes	Marissa Drummond - National Mountain Bike Race
19/02/2019	Midwest Multicultural Association	Sponsorship of the Harmony Festival
1/03/2019	Rams Men’s Softball Club Inc	Sponsorship 2019 Rams Skins Tournament
1/03/2019	Mullewa Bowls Club	Sponsorship Mullewa Golden Bowls 2019
8/03/2019	Around the Traps	Sponsorship Adina World Cup Polocrosse 2019
14/03/2019	Wandina Primary School	Wandina PS Quiz Night Voucher
17/03/2019	Master Builders	Raffle - Master Builders
25/04/2019	Chapman Valley Ag Society	Red Ribbon Sponsor CV Ag Show
25/04/2019	Walkaway Primary School	Walkaway P&C Voucher
4/05/2019	Camp Quality Ltd	Sponsorship Camp Quality Wescarpade
7/05/2019	The Dongara Golf Club	Sponsorship Midwest Golf Association Championship
28/05/2019	Geraldton & Districts Senior Citizens Group	Sponsorship for Indoor Bowls Club
1/06/2019	Funtavia Inc.	Funtavia 2020 Festival
1/06/2019	Geraldton Amateur Swimming Club	GASC country pennants- grand stand
1/06/2019	Geraldton Junior Soccer Team	Country Week 2019
1/06/2019	Geraldton Panthers Netball Club	Community Sporting Assistance
1/06/2019	Geraldton Senior High School	Geraldton Senior High School Co-working Space
1/06/2019	Batavia Coast Miniature Railway Society	Main Workshop Unit
1/06/2019	Midwest Multicultural Association	Festival of Lights 2019
1/06/2019	Mingenew Tourist and Promotions Committee	Droving Days Sculpture
1/06/2019	Mullewa Community Resource Centre Inc	Mullewa Visitor Centre
1/06/2019	Murchison Region Aboriginal Corporation	Older person's LED lighting

Sponsorship & Contributions Report (continued)

For year ending 30 June 2019 (continued)

Date	Recipient	Purpose
1/06/2019	Olympic FC Juniors	Boosting Youth soccer participation 2019-2021
1/06/2019	Rookies T-Ball Club	New Uniforms and Safety Equipment
1/06/2019	Rotary Club of Geraldton/Greenough	Music as Medicine for Dementia
1/06/2019	St John Ambulance Northampton Sub Centre	Beating Heart Project
1/06/2019	Walkaway Tennis Club	Resurfacing Walkaway Tennis Courts
1/06/2019	Wandina Primary School	Gadgets and Gizmos Zone
1/06/2019	Abrolhos Football Club	Abrolhos FC Ladies team
1/06/2019	Bluff Point Strathalbyn Cricket Club	Team Kits & Generator
1/06/2019	Chapman Valley Historical Society Inc.	Mural painting for display at Chapman Valley Museum
1/06/2019	Chapman Valley Junior Football Club	New Football Jumpers
1/06/2019	Desert Blue Connect	Community, Respect and Equality Week
1/06/2019	Dongara Professional Fisherman's Association	Dongara Blessing of the Fleet 2020
1/06/2019	Dreamers Ukulele Group Inc	Laptop, Computer & Accessories
1/06/2019	Falcons Netball Club	Laptop and Printer
1/06/2019	Friends of Geraldton Gardens Inc.	Botanical Garden of Mid-West Native Flora at Maitland
1/06/2019	NCVISSA	SportsTrak - Laptop & printer upgrade
1/06/2019	Binnu Primary P&C	Biannual Camp 2019 - Coral Bay
5/06/2019	Binnu Primary School	Play-based learning project
5/06/2019	Carnamah District High School	2 School Camps
5/06/2019	Chapman Valley Primary School	Zen Garden
5/06/2019	Coorow Primary School	Board Games
5/06/2019	Dongara District High School	Resources for STEAM
5/06/2019	Mingenew Primary School	Chaplaincy Program
5/06/2019	Morawa District High School	Multipurpose area for secondary students
5/06/2019	Northampton District High School	Tools, utensils and worm farm
5/06/2019	Our Lady of Mt Carmel Mullewa	Vegetable Garden
5/06/2019	Perenjori Primary School	Spelling Program
5/06/2019	Three Springs Primary School	Leadership & wellbeing Camp
5/06/2019	Walkaway Primary School	Nature inspired playground
5/06/2019	Yuna Primary School	Bi-Annual School Camp to Coral Bay
18/06/2019	Mullewa District Agricultural Society	Gold Sponsorship Package
20/06/2019	Partners in Grain WA	Midwest Roadshow 2019
26/06/2019	Central Regional TAFE	Semester 2 - TAFE Scholarship Program
27/06/2019	Netball WA	Sponsorship for Primary & High School Carnival in Midwest
Various	Various NFP's	Community EFTPOS Fees absorbed by branch.

Bendigo and Adelaide Bank report

For year ending 30 June 2019

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

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

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

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

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

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

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

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

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

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2019

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:

Robert Francis Houwen
Chairman
Occupation: Dealer Principal
Qualifications, experience and expertise: Dealer Principal - Geraldton Toyota. Treasurer of Rotary Club of Geraldton Greenough.
Special responsibilities: Chairman & Finance Group
Interest in shares: 50,001

Wayne John Clarkson
Deputy Chairman
Occupation: Insurance Broker/AFSL Holder
Qualifications, experience and expertise: Current holder of Australian Financial Services License. Operating a general insurance broking service together with life insurance and superannuation products and services (broking) and Senior Associate CIP qualification.
Special responsibilities: Finance Group
Interest in shares: 28,001

Renaye Ellen Stokes
Secretary
Occupation: Primary Producer
Qualifications, experience and expertise: Previously employed as a Development Officer with the Department of Agriculture & Food for 6 years before starting a family in 2008. Full time parent, farm office administrator and voluntary community contributor ever since. Renaye has proactively contributed to the Chapman Valley (CV) Playgroup, Geraldton Toy Library, CV Community Newspaper (Valley Vibes), CV Tennis Club, CV Primary School P&C, CV Community Ball Inc. and is the current CV Primary School Board Chair. Renaye is passionate about health, wellbeing and resilient communities. Holds a Bachelor of Agribusiness (Marketing) with First Class Honours.
Special responsibilities: Secretary and Marketing Group
Interest in shares: Nil.

Paul James Adam
Treasurer
Occupation: Accountant
Qualifications, experience and expertise: Bachelor of Business, CPA, Principal of accounting practice Adam Hunter Pty Ltd. Public Practice Accountant for 23 years. Charter member of Taxation Institute of Australia. Director of Geraldton Resource Centre Inc. Tax agent with ATO for 27 years. Vice-Captain of Spalding Park Golf Club Inc.
Special responsibilities: Treasurer and Finance Group
Interest in shares: 7,001

Directors' report (continued)

Directors (continued)

Gary Bruce Clark
Director
Occupation: Consultant
Qualifications, experience and expertise: Former Manager Mission Australia, Regional Manager Dept. of Sport and Recreation (30 years), Assoc Dip Recreation, Life Member Surf Life Saving WA, Geraldton Surf Life Saving Club, Brigades Football Club and Geraldton Harriers Running Club. Founding Director and Former Owner-Manager Mid West Times Community Newspaper (Geraldton). Chairman Mid West Academy of Sport.
Special responsibilities: Marketing Group
Interest in shares: 7,201

Harold McCashney
Director
Occupation: Retired primary producer
Qualifications, experience and expertise: Inaugural Director and Fund Raiser. 50 years as a primary producer in wool grain and sheep meat including a term as a director (grower) of W.A Meat Marketing Corporation. Farmed at Cadoux in Wongan Ballidu Shire. 14 years in local government at Wongan Hills and Greenough which has now amalgamated to form the City of Greater Geraldton. 10 years on the Executive of WA Farmers including a 3 year term as State Treasurer.
Special responsibilities: Nil
Interest in shares: 30,001

Emma McNerney
Director
Occupation: Community Development Officer
Qualifications, experience and expertise: Currently employed as the Community Development Officer at the Child and Parent Centre - Rangeway through Ngala Midwest Gascoyne. Inaugurated and chaired the MWCCI Future Leaders for 3 years and sat on the board of Geraldton Dog Rescue for 4 years. Twice winner of Australia Day Active Citizenship (under 26) Award, completed the Rotary Youth Leadership Awards and LEAP. Owner/Manager of event and project company IDs All Sorted, which has raised over $62,000 for local Community causes since 2010. Part owner of Euphorium Creative (formerly The Comedy Emporium).
Special responsibilities: Marketing Group
Interest in shares: 500

Kimberly James Stokes
Director
Occupation: Small Business Advisor
Qualifications, experience and expertise: Self-employed small business adviser, previously senior administration officer Defence Satellite Communications Station Kojarena and employment services manager various country and metropolitan locations. Past Chair, Geraldton Regional Community Education Centre and past Board Director Ngala, Past President of The Geraldton Club and Past President and current member of the Rotary Club of Geraldton Greenough.
Special responsibilities: LVM Champion, Marketing Group
Interest in shares: 10,000

Directors (continued)

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 Emma O'Brien. Emma was appointed to the position of secretary on 30 October 2018.
The previous secretary was Renaye Ellen Stokes who was appointed on 21 June 2016.

Qualifications, experience and expertise: Previously employed as a finance officer, and has a decade of business, taxation, administration and financial experience, before starting a family in 2015. Emma is actively involved in the local community including Treasurer for the Wandina Parents & Citizens Association and Secretary for Funtavia Inc.

Principal Activities

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

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

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
$122,270	$66,855

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

During the year the Community Bank paid shareholders $140,001 (2018: $140,000) as part of a capital reduction. This equates to 10 cents (2018: 10 cents) per share.

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 19 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:

	Directors' Meetings	
	Eligible	**Attended**
Robert Francis Houwen	12	12
Wayne John Clarkson	12	11
Renaye Ellen Stokes*	12	5
Paul James Adam	12	12
Gary Bruce Clark	12	10
Harold McCashney	12	11
Emma McNerney**	12	7
Kimberly James Stokes	12	9

* Approved 12 months leave of absence from November 2018
** Approved 12 months leave of absence from June 2019

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

Signed in accordance with a resolution of the board of directors at Geraldton, Western Australia on 18th September 2019.

Robert Francis Houwen,

Chairman

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 Midwest Community Enterprises Limited

As lead auditor for the audit of Midwest 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: 18 September 2019

Joshua Griffin
Lead Auditor

Financial statements

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

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	1,297,162	1,240,042
Employee benefits expense		(688,759)	(713,056)
Charitable donations, sponsorship, advertising and promotion		(131,574)	(126,233)
Occupancy and associated costs		(95,526)	(94,764)
Systems costs		(36,060)	(36,538)
Depreciation and amortisation expense	5	(31,684)	(31,358)
Finance costs	5	(1,257)	(9)
General administration expenses		(155,023)	(145,870)
Profit before income tax expense		**157,279**	**92,214**
Income tax expense	6	(35,009)	(25,359)
Profit after income tax expense		**122,270**	**66,855**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**122,270**	**66,855**
Earnings per share		**¢**	**¢**
Basic earnings per share	21	8.73	4.78

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	296,199	304,869
Trade and other receivables	8	127,801	107,021
Total Current Assets		**424,000**	**411,890**
Non-Current Assets			
Property, plant and equipment	9	193,989	157,630
Intangible assets	10	65,919	14,550
Deferred tax asset	11	175,322	210,331
Total Non-Current Assets		**435,230**	**382,511**
Total Assets		**859,230**	**794,401**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	112,498	105,650
Borrowings	13	13,753	-
Provisions	14	80,409	90,996
Total Current Liabilities		**206,660**	**196,646**
Non-Current Liabilities			
Trade and other payables	12	58,009	-
Borrowings	13	19,379	-
Provisions	13	7,802	12,645
Total Non-Current Liabilities		**85,190**	**12,645**
Total Liabilities		**291,850**	**209,291**
Net Assets		**567,380**	**585,110**
EQUITY			
Issued capital	15	1,008,402	1,148,402
Accumulated losses	16	(441,022)	(563,292)
Total Equity		**567,380**	**585,110**

The accompanying notes form part of these financial statements

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

	Notes	Issued Capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017		**1,288,402**	**(630,147)**	**658,255**
Total comprehensive income for the year		-	66,855	66,855
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Capital reduction	15	(140,000)	-	(140,000)
Costs of issuing shares		-	-	-
Dividends provided for or paid		-	-	-
Balance at 30 June 2018		**1,148,402**	**(563,292)**	**585,110**
Balance at 1 July 2018		**1,148,402**	**(563,292)**	**585,110**
Total comprehensive income for the year		-	122,270	122,270
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Capital reduction	15	(140,000)	-	(140,000)
Costs of issuing shares		-	-	-
Dividends provided for or paid		-	-	-
Balance at 30 June 2019		**1,008,402**	**(441,022)**	**567,380**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,417,207	1,342,503
Payments to suppliers and employees		(1,272,035)	(1,195,500)
Interest received		50	40
Interest paid		(1,257)	(9)
Net cash provided by operating activities	**17**	**143,965**	**147,034**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(53,494)	-
Payments for property, plant and equipment		7,727	-
Payments for intangible assets		-	(27,485)
Net cash used in investing activities		**(45,767)**	**(27,485)**
Cash flows from financing activities			
Repayment of capital	15	(140,000)	(140,000)
Proceeds from borrowings		41,461	-
Repayment of borrowings		(8,329)	-
Net cash used in financing activities		**(106,868)**	**(140,000)**
Net decrease in cash held		**(8,670)**	**(20,451)**
Cash and cash equivalents at the beginning of the financial year		304,869	325,320
Cash and cash equivalents at the end of the financial year	**7(a)**	**296,199**	**304,869**

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 Standard Boards (AASB) and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Critical accounting estimates

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 are significant to the financial statements are disclosed in note 3.

Historical cost convention

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.

Comparative figures

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

Application of new and amended accounting standards

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB139 Financial Instruments: Recognition and Measurement.

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

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $334,364.

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 branch at Geraldton, Western Australia.

The branch operates 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 branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

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 branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

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

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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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 unpaid (or refundable).

Deferred tax

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

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.

Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements (continued)

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Recognition and initial measurement (continued)

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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 assets.

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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Derecognition (continued)

(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.

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.

Note 1. Summary of significant accounting policies (continued)

l) Leases (continued)

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.

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

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

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

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

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

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 & Adelaide Bank Limited receivable as at 30 June 2019.

<u>Expected credit loss assessment for other customers</u>

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

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

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

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

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 un-recouped 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 consolidated 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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements(continued)

Impairment of assets (continued)

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

	2019 $	**2018 $**

Note 4. Revenue from ordinary activities

Operating activities:		
- gross margin	940,110	880,539
- services commissions	255,778	275,214
- fee income	81,569	74,249
- market development fund	10,000	10,000
Total revenue from operating activities	**1,287,457**	**1,240,002**
Non-operating activities:		
- interest received	50	40
- profit on sale of asset	7,727	-
- recovery of insurance	1,928	-
Total revenue from non-operating activities	**9,705**	**40**
Total revenues from ordinary activities	**1,297,162**	**1,240,042**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	6,456	5,873
- leasehold improvements	6,835	7,782
- motor vehicles	3,843	3,153
Amortisation of non-current assets:		
- franchise fee	2,290	2,290
- franchise renewal fee	12,260	12,260
	31,684	**31,358**

	2019 $	2018 $
Note 5. Expenses (continued)		
Finance costs:		
- interest paid	1,257	9
Bad debts	455	803

Note 6. Income tax expense

	2019 $	2018 $
The components of tax expense comprise:		
- Movement in deferred tax	5,013	(10,141)
- Recoupment of prior year tax losses	38,238	35,500
- Under/(Over) provision of tax in the prior period	(8,242)	-
	35,009	**25,359**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	157,279	92,214
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	43,251	25,359
Add tax effect of:		
- timing difference expenses	(5,013)	10,141
	38,238	**35,500**
Movement in deferred tax	5,013	(10,141)
	35,009	**25,359**

Note 7. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	296,199	304,869
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	**296,199**	**304,869**

Notes to the financial statements (continued)

	2019 $	2018 $
Note 8. Trade and other receivables		
Trade receivables	110,137	92,115
Prepayments	17,208	14,906
Other receivables and accruals	456	-
	127,801	**107,021**

Note 9. Property, plant and equipment

	2019 $	2018 $
Leasehold improvements:		
At cost	252,539	252,539
Less accumulated depreciation	(129,387)	(122,552)
	123,152	**129,987**
Plant and equipment		
At cost	82,606	81,016
Less accumulated depreciation	(59,731)	(53,373)
	22,875	**27,643**
Motor vehicles		
At cost	46,117	26,757
Less accumulated depreciation	(3,940)	(26,757)
	42,177	**-**
Property Development Work In Progress		
At cost	5,785	-
Total written down amount	**193,989**	**157,630**

Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	129,987	137,769
Additions	-	-
Disposals	-	-
Less: depreciation expense	(6,835)	(7,782)
Carrying amount at end	**123,152**	**129,987**

	2019 $	2018 $
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning	27,643	33,516
Additions	1,590	-
Disposals	-	-
Less: depreciation expense	(6,358)	(5,873)
Carrying amount at end	**22,875**	**27,643**
Motor vehicles		
Carrying amount at beginning	-	3,153
Additions	46,117	-
Disposals	-	-
Less: depreciation expense	(3,940)	(3,153)
Carrying amount at end	**42,177**	**-**
Property Development WIP		
Carrying amount at beginning	-	-
Additions	5,785	-
Disposals	-	-
Less: accumulated depreciation	-	-
Carrying amount at end	**5,785**	**-**
Total written down amount	**193,989**	**157,630**

Note 10. Intangible assets

Establishment Fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	**-**
Franchise fee		
At cost	32,440	21,453
Less: accumulated amortisation	(21,453)	(19,162)
	10,987	**2,291**

		2019 $	2018 $
Note 10. Intangible assets (continued)			
Renewal processing fee			
At cost		116,230	61,298
Less: accumulated amortisation		(61,298)	(49,039)
		54,932	**12,259**
Total written down amount		**65,919**	**14,550**

Note 11. Tax

		2019 $	2018 $
Non-Current:			
Deferred tax assets			
- accruals		-	770
- employee provisions		24,258	28,502
- tax losses carried forward		151,064	181,059
Net deferred tax asset		**175,322**	**210,331**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		**35,009**	**25,359**

Note 12. Trade and other payables

		2019 $	2018 $
Current:			
Trade Creditors		61,504	62,841
Other creditors and accruals		50,994	42,809
		112,498	**105,650**
Non-Current			
Trade Creditors		58,009	-

Note 13. Borrowings

		2019 $	2018 $
Current:			
Chattel mortgage	18	13,753	-
Non-Current:			
Chattel Mortgage	18	19,379	-

The company entered into a MV loan for a 2018 Toyota Camry and a 2018 Toyota Yaris on 26 October 2018 for a 3-year term. Interest is charged at 4.95% p.a. The loan is secured by fixed interest charges over the company's assets.

Notes to the financial statements (continued)

	2019 $	2018 $
Note 14. Provisions		
Current:		
Provision for annual leave	24,157	51,410
Provision for long service leave	56,252	39,586
	80,409	**90,996**
Non-Current:		
Provision for long service leave	7,802	12,645

Note 15. Issued Capital

1,400,009 ordinary shares fully paid (2018: 1,400,009)	1,400,009	1,400,009
Less: Return of capital	(350,000)	(210,000)
Less: equity raising expenses	(41,607)	(41,607)
	1,008,402	**1,148,402**

$140,000 (2018: $70,000) Capital reduction paid back to shareholders on 26 November 2018.

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 217. As at the date of this report, the company had 247 shareholders.

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

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

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

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

	2019 $	2018 $
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(563,292)	(630,147)
Net profit from ordinary activities after income tax	122,270	66,855
Balance at the end of the financial year	**(441,022)**	**(563,292)**
Note 17. Statement of cash flows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	122,270	66,855
Non-cash items:		
- depreciation	17,134	16,808
- amortisation	14,550	14,550
- profit on disposal of asset	(7,727)	-

	2019 $	2018 $
Note 17. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(20,779)	(16,136)
- (increase)/decrease in other assets	35,009	25,359
- increase/(decrease) in payables	(1,062)	2,822
- increase/(decrease) in provisions	(15,430)	36,776
Net cash flows provided by operating activities	**143,965**	**147,034**

Note 18. Leases

	2019 $	2018 $
Finance lease commitments		
Payable – minimum lease payments:		
- not later than 12 months	15,064	-
- between 12 months and 5 years	20,086	-
Minimum lease payments	35,150	-
Less future finance charges	(2,018)	-
Present value of minimum lease payments	**33,132**	**-**

The MV chattel mortgage is repayable monthly with the final instalment to be made in October 2020.
Interest is recognised at an average rate of 4.95% p.a. The loan is secured by collateral over the company's assets.

	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	66,873	61,303
- between 12 months and 5 years	267,491	
	334,364	**61,303**

The branch operating lease is non-cancellable lease with a five-year term, with rent payable monthly in advance.
The lease commenced in June 2019.

Note 19. Auditor's remuneration

	2019 $	2018 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- share registry services	3,431	3,168
- non audit services	2,730	1,830
	10,761	**9,398**

Note 20. Director and related party disclosures

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

Robert Francis Houwen

Wayne John Clarkson

Renaye Ellen Stokes

Paul James Adam

Gary Bruce Clark

Harold McCashney

Emma McNerney

Kimberly James Stokes

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2019 $	2018 $
Transactions with related parties:		
Paul James Adam is a qualified Accountant, he provided bookkeeping and company secretarial services to Midwest Community Enterprises Limited	10,546	13,194
R.L. Mitoke Pty Ltd, of which Robert Francis Houwen is a director, is the landlord of the branch premises at 79 Forrest Street, the amount of rent and associated outgoings amounted to:	66,873	66,873
Wayne John Clarkson a qualified Insurance broker supplied employers liability insurance policy and also key person insurance policy for the Branch Manager	1,903	315
Renaye Ellen Stokes received payment for her time and expenses providing services as the Company Secretary	1,803	7,000
Event and project company, It's All Sorted, of which Emma McNerney is an Owner/Manager provided services in the period	5,150	1,950

	2019	2018
Directors' Shareholdings:		
Robert Francis Houwen	50,001	50,001
Wayne John Clarkson	28,001	28,001
Renaye Ellen Stokes	-	-
Paul James Adam	7,001	7,001
Gary Bruce Clark	7,201	7,001
Harold McCashney	30,001	30,001
Emma Howell	500	-
Kimberly James Stokes	10,000	10,000

Emma McNerney purchased 500 shares and Gary Bruce Clark purchased 200 shares during the 2018-2019 financial year

Notes to the financial statements (continued)

	2019	2018
Note 21. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	122,270	66,855
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,400,009	1,400,009

Note 22. 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 23. 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 24. Segment reporting

The economic entity operates in the service sector where it facilitates Community Bank services in Geraldton, Western Australia pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. 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	**Principal Place of Business**
Unit 1/31-33 Hosken Street	79 Forrest Street
Bluff Point WA 6530	Geraldton WA 6530

Note 26. 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.

Financial Instrument	Floating interest		Fixed interest rate maturing in						Non-interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Financial assets												
Cash and cash equivalents	295,949	304,619	-	-	-	-	-	-	250	250	0.02	0.01
Receivables	-	-	-	-	-	-	-	-	110,137	92,115	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	13,753	-	19,379	-	-	-	-	-	4.13	Nil
Payables	-	-	-	-	-	-	-	-	61,504	62,841	N/A	N/A

Notes to the financial statements (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019 $	**2018 $**
Change in profit/(loss)		
Increase in interest rate by 1%	2,628	3,046
Decrease in interest rate by 1%	(2,628)	(3,046)
Change in equity		
Increase in interest rate by 1%	2,628	3,046
Decrease in interest rate by 1%	(2,628)	(3,046)

Directors' declaration

In accordance with a resolution of the directors of Midwest Community Enterprises Limited, we state that:

In the opinion of the directors:

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

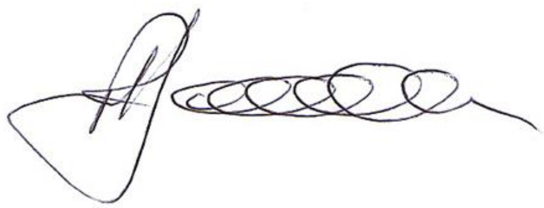
(i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

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

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

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

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



Robert Francis Houwen,
Chairman

Signed on the 18th of September 2019

Independent audit report

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
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Independent auditor's report to the members of Midwest Community Enterprises Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Midwest 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

Midwest 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.

Independent audit report (continued)

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: 18 September 2019

Joshua Griffin
Lead Auditor

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79 Forrest Street, Geraldton WA 6530
Phone: 9921 2335 Fax: 9921 3940
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