2019 Annual Report

Mission Beach Community Enterprises Limited

ABN 15 129 575 560

Mission Beach Community Bank Branch

Contents

Chair's report	2
Manager's report	4
Bendigo and Adelaide Bank report	5
Directors' report	6
Auditor's independence declaration	10
Financial statements	11
Notes to the financial statements	15
Directors' declaration	37
Independent audit report	38

Chair's report

For year ending 30 June 2019

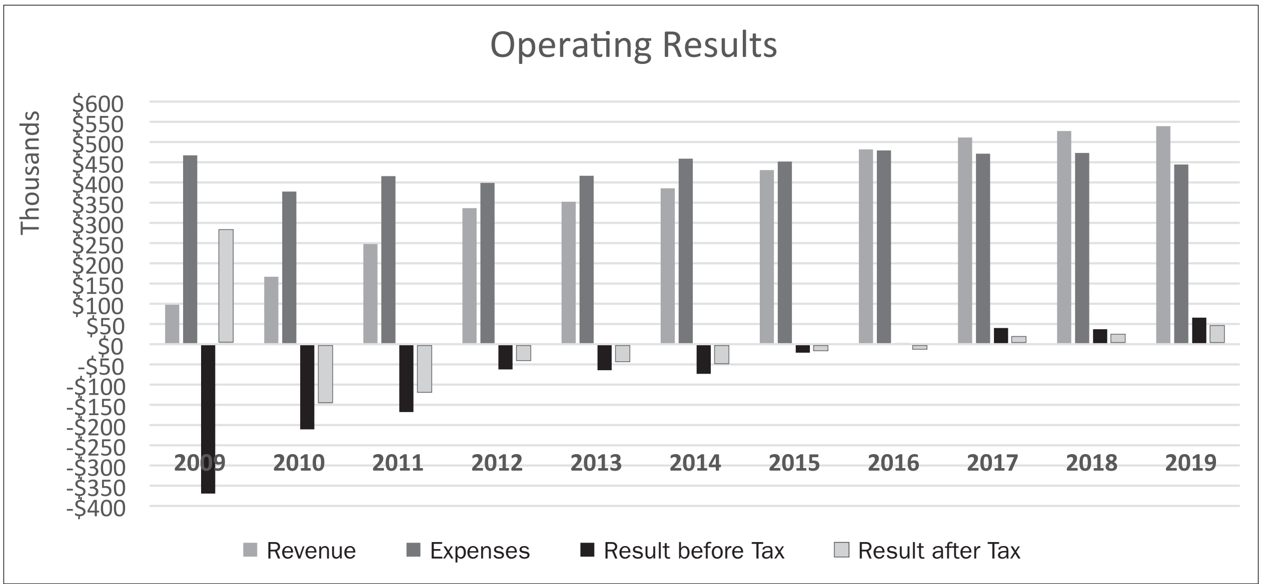
The past 2018/19 financial year has proved both challenging and rewarding for our little Community Bank Branch here in Mission Beach. Challenging, as again we have faced staffing issues within the Branch and rewarding as we have still managed to post our highest full year profit to date.

This past year saw Judith Giddings appointed as our Branch Manager in November of 2018. Judith led our team for the remainder of the financial year. In July of 2019 we saw Judith leave the Bendigo Bank after many years of service. The Board thanks Judith for her many years of dedication to the Mission Beach Community Bank Branch. This left a vacancy in our branch for a new Branch Manager. Rosie Harris, who was the Branch Customer Relationship Officer was successful in her application and appointed Branch Manager in September of 2019. Rosie is a very focused, driven and an experienced banker who lives locally and the Board are excited to work with Rosie in the coming financial year to further grow the business.

Our branch has managed to post some pleasing financial results for the financial year ended 30 June 2019. The 2018/19 year saw a after tax profit of $47,571. This is a 93% increase on our previous year after tax profit of $24,539. This result has been predominantly due to a savings in wages for the year as our branch has essentially been a staff member down for much of the financial year. This has also affected our growth for the year. It has remained stagnant as our short staffing has not allowed our staff enough time to focus on growing the business.

Our pleasing financial result has allowed us to declare a dividend to be paid to our share holder of .03 cents per share, our highest dividend to date. Our ability to pay a higher dividend to our shareholders this year is something that the Board are very proud of and we again thank our shareholders for their faith and patience in the company. The Board again will be striving to increase returns to our shareholders in the coming financial year.

Given our great result again this year I would like to highlight how far our Community Bank branch has come. You can see in in the table below that our revenue has continued an upward trend along with our Result after income tax. Expenses have remained quite constant over the past 10 years.



Special thanks go out to our branch team of Rosie, Maureen, Stef and Andrea for their outstanding efforts in keeping the branch running smoothly. We often hear great feedback on our staffing's customer service skills. This is something that we really promote in our branch, an outstanding customer service experience. It is something that is very important in business today and in the banking world can prove to be a real point of difference.

Chair's report (continued)

To the members of the Board Leah Mangano, Cate Heys, Neil Gabiola and Gurbindar Singh. Our Board positions are purely voluntary, and these wonderful people give up their own time month in and month out for our branch. Both myself and our local community thank you for your invaluable contribution.

Mission Beach Community Enterprises Limited is a franchisee of Bendigo and Adelaide Bank Limited. None of what we achieve each year could be done without the support of our franchise partner. The Community Bank concept is one which is unique and a real difference from the other major banks. The model allows us to reward not only our shareholders but also our community with our success. I again call to all shareholders and the wider community that if you don't already bank with us then please consider doing so and your banking has a direct impact on the benefits that our beautiful community can receive from us.

Here's to another exciting and successful year of banking with the Mission Beach Community Bank Branch.

Kelly Cavallaro
Chair/Treasurer

Manager's report

For year ending 30 June 2019

It's true that once a Mission Beach Community Bank Branch customer, always a Mission Beach Community Bank Branch customer. We value each and every one of our customers who entrust us with their banking.

We are a real alternative to the major banks and we're capitalising on that goodwill and uncertainty within the overall banking sector.

The move to digital banking is exciting and Bendigo and Adelaide Bank Limited has committed to making this a priority. We're already ahead when it comes to our online offerings. For those customers who don't want to step into a traditional bank, that's great news and we're looking forward to advances in this area by Bendigo and Adelaide Bank Limited.

For those people who want to continue the tradition of coming into the branch we're not going anywhere. Now being the only bank branch operating here in Mission Beach, we're committed to helping you in the branch with all of your banking needs.

Now I'd like to ask you, the shareholders for your help in bringing new business into the branch and to provide me with an introduction to any community groups or businesses you're personally involved in.

We do need your help to get in the door of the community groups and businesses that you are involved with as I don't want anyone to miss out and I would love to work with you to help our community message to be heard. We are a Community Bank branch helping our community and this doesn't just mean by way of sponsorship, we are here to help and encourage all community groups, businesses and individuals achieve their financial goals.

With every new customer and account opening that means there is more available to be paid in community contributions and in dividends.

Even though it has been a tough year and have had many staffing changes in the branch we now have a full team full of enthusiasm and ready to achieve some goals and turn this year around. There has been a major shift in the community recently and we are definitely seeing the positive effects of it.

There may be many km's between our branch and the Cairns office although this distance does not hinder our working relationship. We have received a great deal of support and continue to receive support from head office, state office, regional support staff and even other branches. I cannot thank them enough.

Bendigo Bank is Australia's fifth largest retail bank with over 1.7million customers and are consistently rated highly for trust and satisfaction and we are lucky to be a part of this message.

Banking is an everyday function for every single person in the community although the difference with the Community Bank model is that every time people bank with the local Community Bank branch, the bottom line increases and as such, community contributions and dividends increase as well. So, let's all get together in helping our community grow and be a part of something big by banking with our Community Bank branch.

Rosie Harris
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2019

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

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

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

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

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

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

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

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

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

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2019

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

Directors

The following persons were Directors of Mission Beach Community Enterprise Limited during or since the end of the financial year up to the date of this report:

Kelly Cavallaro

Accountant and Director of KLP Taxation Pty Ltd. Kelly is a member of the Institute of Public Accountants with over 15 years' experience in both public practice and corporate accounting roles. Originally growing up in Stawell in country Victoria, Kelly relocated to the Sunshine coast where she began her career in an accounting practice. She studied her Bachelor's Degree externally through the University of Southern Queensland. During her career Kelly spent some time in Mount Isa where she met her husband, and then relocated to Mission Beach to start a family and her own practice KLP Taxation. Kelly has successfully ran her own practice for the past 11 years and is well known in the Mission Beach area. She is actively involved in many community groups including the Mission Beach Junior Australian Football Club. Kelly brings a wealth of knowledge to the board in the field of Accounting and Finance and is looking forward to the challenges and rewards her term on the board will bring.

Leah Mangano

Solicitor and Principal Director of Ross Mangano Solicitors Pty Ltd. Leah grew up in Mission Beach and attended local schools before attending University where she obtained her Bachelor of Laws and later, her Master of Laws. Leah, together with her father Ross Mangano, enjoy a busy local law firm servicing the Cassowary Coast and beyond. Leah is involved in several local not for profit organisations, including her role as an ongoing member of the Tigers Leagues Club Board Committee, also the secretary of the Tully Tennis Club and previously the Vice-President of the Cassowary Coast Business Women's Network. Leah's professional skills, together with her keen interest to see our local area to thrive and be enjoyed by those who both live in and visit the region, make her an asset to the Board. Leah and her husband Stephen live on their cane farm in Tully.

Judith Giddings

Judith relocated to Mission Beach in January 2012 from the Gold Coast with her husband who is local tradesman. Born and raised in Sydney where completed her high school education and University Master's degree in Law. After leaving the legal field she started her banking career in Southern NSW town of Vincentia in 1998, where she lived for many years with her two daughters before taking a transfer to the Gold Coast, has been involved with many Community Groups over the years, from local cricket club to P & C with daughters' school. Judith started working in Bendigo Bank Innisfail and then in Tully before Mission Beach. Judith has 20 years of banking experience from being a teller to manager over the years. Just recently become involved with few local community groups and looking forward to doing more in the community, with husband. Judith and husband have settled in Mission Beach and purchased property and looking forward to their retirement in years to come in the beautiful place we call home. Judith brings the knowledge of how the bank comes together and supports the Community Banking model. Looking forward to the challenges ahead and working with the board from now and in the future.

Cate Heys

Cate has a wide range of management and leadership experience in both the UK and Australia. An MBA graduate and a graduate of the AICD she semi-retired to MB in 2016 and has become involved in the community in a number of roles including President of Mission Arts. Before retiring Cate held senior federal government roles in the NT including State Manager for various departments and was a Board Member for the RSPCA.

Directors' report (continued)

Directors (continueD)

Neil Gabiola

(Appointed 28 March 2019)

As the son of a local cane farming family Neil grew up and went to school in the Tully and Mission Beach area. He completed a boiler making apprenticeship at Tully sugar mill before working in the mining and boatbuilding industries . Neil returned to the area to take a position at the Kareeya Hydro power station in the Tully Gorge . Neil and his family live at Mission Beach.

Gurbindar Singh

(Appointed 28 March 2019)

Gurbindar is a results-focused executive who has extensive experience in managing finances and brings experience from customer interactions, exposure to information technology and management expertise to aid decision-making processes. He is a Certified Practicing Accountant with qualifications including a Bachelor of Arts degree (Accounting and Financial Management, Information Services) and a Master of Business Administration. After commencing his accounting career in a financial institution in Fiji, Gurbindar and his family emigrated to Australia. He has subsequently held various roles within the Queensland Local Government sector and is currently Chief Financial Officer at Cassowary Coast Regional Council. He is a member of Local Government Managers Australia (Queensland) and is Secretary of the Cassowary Coast River Improvement Trust. Gurbindar and his family live at Mission Beach and are active in the local school and sporting communities.

Jay Whittem

(Resigned 11 September 2019)

Senior Physiotherapist for Cassowary Area Community Health. Jay grew up in Mission Beach before studying Physiotherapy at UQ, Brisbane. Following living and travelling in various countries and continents around the globe he has resettled in Mission Beach with his partner and two young children. He has been involved in various community and sporting organisations to date, such as judging Youth of the Year, as well coaching/umpiring young sailors. Working in a multidisciplinary team and possessing the ability to establish and maintain networks makes Jay a positive and contributing Board member. With a strong interest in improving health outcomes so as to enable residents to engage in our community, Jay brings an open view and a youthful perspective to the Board.

Peter Cameron

(Resigned 25 July 2018)

Peter comes from a mining background possessing over 50 years' experience in mining and minerals processing including managing operations, engineering and technology. Peter is actively involved in the Mission Beach Community also holding the roles of secretary for the Mission Beach Meals on Wheels and Treasurer of the Mission Beach and Burgundy Club.

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

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

Directors' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Kelly Cavallaro	11	11
Leah Mangano	11	8
Judith Giddings	11	11
Cate Heys	11	7
Neil Gabiola (Appointed 28 March 2019)	6	6
Gurbindar Singh (Appointed 28 March 2019)	6	3
Jay Whittem (Resigned 11 September 2019)	5	1
Peter Cameron (Resigned 25 July 2018)	3	3

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

Company Secretary

Judith Giddings has been the Company Secretary of Mission Beach Community Enterprise Limited since April 2018. Judith's qualifications and experience include a university masters degree in law and over 20 years in the banking industry.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $47,571 (2018 profit: $24,539), which is a 93.9% increase as compared with the previous year.

Increase in profit is a result of an increase in revenue of $12,000 combined with a decrease in employee benefits of $20,000.

Dividends

A unfranked dividend of 2 cents per share was declared and paid during the year for the year ended 30 June 2019. No dividend has been declared or paid for the year ended 30 June 2019 as of yet.

Options

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

Significant changes in the state of affairs

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

Directors' report (continued)

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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

Proceedings on behalf of company

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

Auditor independence declaration

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

Signed in accordance with a resolution of the Board of Directors at Mission Beach on Mission Beach on
27 September 2019.

Kelly Cavallaro
Director

Auditor's independence declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

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admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Mission Beach Community Enterprises Limited.

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

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

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

RSD Audit
Chartered Accountants

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

Dated: 27 September 2019

Financial statements

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

	Notes	2019 $	2018 $
Revenue	2	539,248	527,180
Expenses			
Employee benefits expense	3	(257,994)	(278,357)
Depreciation and amortisation	3	(27,304)	(25,284)
Bad and doubtful debts expense	3	(678)	(295)
Administration and general costs		(71,093)	(81,681)
Occupancy expenses		(57,175)	(55,826)
IT expenses		(17,281)	(17,531)
Interest expenses		(2,347)	-
Other expenses		(10,549)	(13,973)
		(444,421)	**(472,947)**
Operating profit before charitable donations & sponsorship		**94,827**	**54,233**
Charitable donations and sponsorships		(29,212)	(17,249)
Profit before income tax		**65,615**	**36,984**
Income tax expense	4	(18,044)	(12,445)
Profit for the year after income tax		**47,571**	**24,539**
Other comprehensive income		-	-
Total comprehensive income for the year		**47,571**	**24,539**
Profit attributable to members of the company		47,571	24,539
Total comprehensive income attributable to members of the company		**47,571**	**24,539**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	5.44	2.80

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

Statement of Financial Position
as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	9,748	7,871
Trade and other receivables	6	9,411	23,055
Other assets	7	5,956	3,831
Total current assets		**25,115**	**34,757**
Non-current assets			
Property, plant and equipment	8	109,795	123,876
Intangible assets	9	52,888	-
Deferred tax assets	4	203,495	221,539
Total non-current assets		**366,178**	**345,415**
Total assets		**391,293**	**380,172**
Liabilities			
Current liabilities			
Trade and other payables	11	29,009	31,938
Borrowings	12	101,075	157,654
Provisions	13	-	1,940
Total current liabilities		**130,084**	**191,532**
Non-current liabilities			
Borrowings	12	13,280	18,135
Trade and other payables	11	47,353	-
Total non-current liabilities		**60,633**	**18,135**
Total liabilities		**190,717**	**209,667**
Net assets		**200,576**	**170,505**
Equity			
Issued capital	14	856,704	856,704
Accumulated losses	15	(656,128)	(686,199)
Total equity		**200,576**	**170,505**

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

Financial statements (continued)

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		856,704	(686,199)	170,505
Comprehensive income for the year				
Profit for the year		-	47,571	47,571
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(17,500)	(17,500)
Balance at 30 June 2019		**856,704**	**(656,128)**	**200,576**
Balance at 1 July 2017		856,704	(693,238)	163,466
Comprehensive income for the year				
Profit for the year		-	24,539	24,539
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(17,500)	(17,500)
Balance at 30 June 2018		**856,704**	**(686,199)**	**170,505**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		552,739	523,631
Payments to suppliers and employees		(469,107)	(470,844)
Interest received		153	168
Net cash flows provided by operating activities	**18b**	**83,785**	**52,955**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,974)	(25,244)
Net cash flows used in investing activities		**(2,974)**	**(25,244)**
Cash flows from financing activities			
Repayment of borrowings		(5,567)	22,490
Dividends paid		(17,500)	(17,500)
Net cash flows from/(used in) financing activities		**(23,067)**	**4,990**
Net increase in cash held		**57,744**	**32,701**
Cash and cash equivalents at beginning of financial year		(145,428)	(178,129)
Cash and cash equivalents at end of financial year	**18a**	**(87,684)**	**(145,428)**

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

Notes to the financial statements

For year ended 30 June 2019

These financial statements and notes represent those of Mission Beach Community Enterprises Limited.

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

The financial statements were authorised for issue by the Directors on 26 September 2019.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branches at Mission Beach.

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs, and
- Sale techniques and proper customer relations.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

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

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

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

<u>Income tax</u>

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

<u>Impairment</u>

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

AASB 15 replaces AASB 118 Revenue, AASB 111Construction Contracts and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

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

<u>AASB 9 Financial Instruments</u>

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

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

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

(g) New accounting standards for application in future periods

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

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

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

AASB 16:

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

The standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $16,923. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit and classification of cash flows.

Note 1. Summary of significant accounting policies (continued)

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

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

(h) Change in accounting policies

Revenue

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

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

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

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

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

Financial Instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

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

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

Financial assets at amortised cost

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments (continued)

Impairment of financial assets

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

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

Financial Liabilities

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

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

Classification and measurement of financial liabilities

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

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

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	23,055	23,065
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	31,938	31,938
Borrowings	Amortised cost	Amortised cost	3,511	3,511

	2019 $	2018 $

Note 2. Revenue

Revenue		
- service commissions	536,595	523,512
	536,595	**523,512**
Other revenue		
- interest received	153	168
- other revenue	2,500	3,500
	2,653	**3,668**
Total revenue	**539,248**	**527,180**

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

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

Interest and other income

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

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

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

Rendering of services

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

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as ‘core banking products’, however it also reserves the right to change the products and services identified as ‘core banking products’, providing 30 days notice is given.

Margin

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

Commission

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

Notes to the financial statements (continued)

Note 2. Revenue (continued)

Rendering of services (continued)

Fee Income

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

Discretionary Financial Contributions

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

Form and Amount of Financial Return

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

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

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

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

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

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

	2019 $	2018 $

3. Expenses

Profit before income tax includes the following specific expenses:

	2019 $	2018 $
Employee benefits expense		
- wages and salaries	187,841	211,899
- superannuation costs	19,827	21,421
- other costs	50,326	45,037
	257,994	**278,357**
Depreciation and amortisation		
Depreciation		
- leasehold improvements	2,944	2,943
- plant and equipment	2,723	3,709
- motor vehicles	8,414	4,887
	14,081	**11,539**
Amortisation		
- franchise fees	2,204	2,293
- establishment costs	11,019	11,452
	13,223	**13,745**
Total depreciation and amortisation	**27,304**	**25,284**
Bad and doubtful debts expenses	678	295
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	4,130	6,422
	4,130	**6,422**

Operating expenses

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

Borrowing costs

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

Depreciation and amortisation

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

Notes to the financial statements (continued)

3. Expenses (continued)

Depreciation and amortisation (continued)

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

Class of asset	Rate	Method
Leasehold improvements	2.5%	Straight line
Plant and equipment	4 - 25%	Straight line
Motor vehicles	33.3%	Straight line
Franchise fees and establishment costs	20%	

	2019 $	2018 $
Note 4. Income tax		
a. The components of tax expense comprise:		
Current tax expense	15,280	10,494
Deferred tax expense	18,044	10,171
Recoupment of prior year tax losses	(15,280)	(10,494)
Under / (over) provision of prior years	-	2,274
	18,044	**12,445**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:	15,247	11,009
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	18,044	10,171
Add tax effect of:		
- Under / (over) provision of prior years	-	2,274
Income tax attributable to the entity	**18,044**	**12,445**
The applicable weighted average effective tax rate is:	27.50%	33.65%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Current tax	15,280	10,494
Recoupment of PY tax losses	(15,280)	(10,494)
	-	**-**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	480	2,126
Employee provisions	-	534
Unused tax losses	204,653	219,933
	205,133	**222,593**

Notes to the financial statements (continued)

	2019 $	2018 $
Note 4. Income tax (continued)		
d. Deferred tax asset (continued)		
Deferred tax liabilities comprise:		
Prepayments	1,638	1,054
	1,638	**1,054**
Net deferred tax asset	**203,495**	**221,539**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	17,460	8,056
(Decrease) / increase in deferred tax liabilities	584	(161)
Under / (over) provision prior years	-	2,275
	18,044	**10,170**

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

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

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

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

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

	2019 $	2018 $

Note 5. Cash and cash equivalents

Cash at bank and on hand	9,748	7,871
	9,748	**7,871**

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

	2019 $	2018 $

Note 6. Trade and other receivables

Current		
Trade receivables	9,411	23,055
	9,411	**23,055**

Note 6. Trade and other receivables (continued)

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

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

Credit risk

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

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

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2019						
Trade receivables	9,411	9,411	-	-	-	-
Total	**9,411**	**9,411**	**-**	**-**	**-**	**-**
2018						
Trade receivables	23,055	23,055	-	-	-	-
Total	**23,055**	**23,055**	**-**	**-**	**-**	**-**

	2019 $	2018 $
Note 7. Other assets		
Prepayments	5,956	3,831
	5,956	**3,831**

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

Note 8. Property, plant and equipment

	2019 $			2018 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Plant and equipment	82,251	(71,066)	11,185	82,251	(68,343)	13,908
Leasehold improvements	117,757	(31,090)	86,667	117,757	(28,146)	89,611
Motor vehicles	25,244	(13,301)	11,943	25,244	(4,887)	20,357
Total property, plant and equipment	**225,252**	**(115,457)**	**109,795**	**225,252**	**(101,376)**	**123,876**

Plant and equipment

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

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

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

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

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

(a) Capital expenditure commitments

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

(b) Movements in carrying amounts of PP&E

2019	Opening written down value $	Additions $	Depreciation $	Closing written down value $
Leasehold improvements	89,611	-	(2,944)	86,667
Plant and equipment	13,908	-	(2,723)	11,185
Motor vehicles	20,357	-	(8,414)	11,943
Total property, plant and equipment	**123,876**		**(14,081)**	**109,795**

Notes to the financial statements (continued)

Note 8. Property, plant and equipment (continued)

(b) Movements in carrying amounts of PP&E (continued)

2018	Opening written down value $	Additions $	Depreciation $	Closing written down value $
Leasehold improvements	92,554	-	(2,943)	89,611
Plant and equipment	17,617	-	(3,709)	13,908
Motor vehicles	-	25,244	(4,887)	20,357
Total property, plant and equipment	**110,171**	**25,244**	**(11,539)**	**123,876**

Note 9. Intangible assets

	2019 $			2018 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	11,018	(2,204)	8,814	2,293	(2,293)	-
Establishment costs	55,093	(11,019)	44,074	11,452	(11,452)	-
Total intangible assets	**66,111**	**(13,223)**	**52,888**	**13,745**	**(13,745)**	**-**

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

Movements in carrying amounts

2019	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	-	11,018	(2,204)	8,814
Establishment costs	-	55,093	(11,019)	44,074
Total intangible assets	**-**	**66,111**	**(13,223)**	**52,888**

2018	Opening written down value $	Additions $	Amortisation $	Closing written down value $
2,293	-	(2,293)	-	8,814
11,452	-	(11,452)	-	44,074
13,745	**-**	**(13,745)**	**-**	**52,888**

Note 10. Financial liabilities

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

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

	2019 $	2018 $

Note 11. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	4,338	9,386
Franchise fee payable	15,784	-
Other creditors and accruals	8,887	22,552
	29,009	**31,938**
Non Current		
Unsecured liabilities:		
Franchise fee payable	47,353	-
	47,353	**-**

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

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

	2019 $	2018 $

Note 12. Borrowings

	2019 $	2018 $
Current		
Secured liabilities		
Bank overdraft	97,432	153,299
Finance leases	3,643	4,355
	101,075	**157,654**

	2019 $	2018 $
Note 12. Borrowings (continued)		
Non-current		
Secured liabilities		
Finance leases	13,280	18,135
	13,280	**18,135**
Total borrowings	**114,355**	**175,789**

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(a) Bank overdraft and bank loans

The company has an overdraft facility of $350,000 which is subject to normal commercial terms and conditions.

(b) Lease liabilities

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

	2019 $	2018 $

Note 13. Provisions

Current		
Employee benefits	-	1,940
Total provisions	**-**	**1,940**

Short-term employee benefits

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

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

Note 13. Provisions (continued)

Other long-term employee benefits

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

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

	2019 $	2018 $
Note 14. Share capital		
875,000 Ordinary shares fully paid	875,000	875,000
Less: Equity raising costs	(18,296)	(18,296)
	856,704	**856,704**

Ordinary shares are classified as equity.

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

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	875,000	875,000
At the end of the reporting period	**875,000**	**875,000**

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

(b) Capital management

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

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

(i) the Distribution Limit is the greater of:

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

Note 14. Share capital (continued)

(b) Capital management (continued)

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

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

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

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

Note 15. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the reporting period	(686,199)	(693,238)
Profit for the year after income tax	47,571	24,539
Dividends paid	(17,500)	(17,500)
Balance at the end of the reporting period	**(656,128)**	**(686,199)**

Note 16. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
Dividends paid or provided for during the year		
Unfranked ordinary dividend of 2 cents per share (2018: 2 Cents)	17,500	17,500

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

Note 17. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	5.44	2.80
Earnings used in calculating basic earnings per share	47,571	24,539
Weighted average number of ordinary shares used in calculating basic earnings per share	875,000	875,000

Basic earnings per share

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

	2019 $	2018 $

Note 18. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	9,748	7,871
Less bank overdraft (Note 13)	(97,432)	(153,299)
As per the Statement of Cash Flow	**(87,684)**	**(145,428)**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	47,571	24,539
Non-cash flows in profit		
- Depreciation and amortisation	27,304	25,284
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	13,644	(3,381)
- (increase) / decrease in prepayments and other assets	(2,125)	584
- (Increase) / decrease in deferred tax asset	18,044	12,445
- Increase / (decrease) in trade and other payables	(18,713)	(6,099)
- Increase / (decrease) in provisions	(1,940)	(417)
Net cash flows from operating activities	**83,785**	**52,955**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to $350,000 (2018: $350,000). This may be terminated at any time at the option of the bank. At 30 June 2019, $97,432 of this facility was used (2018: $185,873). Variable interest rates apply to this overdraft facilitiy.

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company.

No remuneration was paid to key management personnel of the company during the year.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

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

During the year, the company made donations to related party community groups of $15,928. Directors of Valley Community Financial Services Ltd are members of boards/committee of these groups, however must declare a conflict of interest and are prohibted from voting on the decision to donate to these beneficiaries.

Note 19. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties (continued)

The Mission Beach Community Enterprises Limited has not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package.

(d) Key management personnel shareholdings

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

(e) Other key management transactions

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

Note 20. Events after the reporting period

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

Note 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

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

Note 23. Commitments

	2019 $	2018 $
Operating lease commitments		
Payable:		
- no later than 12 months	37,559	48,715
- between 12 months and five years	121,781	220,467
Minimum lease payments	**159,340**	**269,182**

The property lease is a non-cancellable lease with a initial 5 year term expiring 21 July 2023, with rent payable monthly in advance and with 3% increases each year on 22nd July.

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

Note 24. Company details

The registered office is 52 Holland Street, Wongaling Beach QLD 4852.

The principal place of business is Shop 5, 34-40 Dickinson Street, Wongaling Beach QLD 4852.

Note 25. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

Specific financial risk exposure and management

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

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

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	9,748	7,871
Trade and other receivables	6	9,411	23,055
Total financial assets		**19,159**	**30,926**
Financial liabilities			
Trade and other payables	12	29,009	31,938
Borrowings	13	16,923	22,490
Bank overdraft	13	97,432	153,299
Total financial liabilities		**143,364**	**207,727**

(a) Credit risk

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

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

Credit risk exposures

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

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

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

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

Note 25. Financial instrument risk (continued)

(b) Liquidity risk

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

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

In addition the company has established an overdraft facility of $350,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $252,568 (2018: $196,701).

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

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

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.5%	9,748	9,748	-	-
Trade and other receivables		9,411	9,411	-	-
Total anticipated inflows		**19,159**	**19,159**	**-**	**-**
Financial liabilities					
Trade and other payables		29,009	29,009	-	-
Borrowings	4.66%	16,871	3,643	13,228	-
Bank overdraft *	6%	97,432	97,432	-	-
Total expected outflows		**143,312**	**130,084**	**13,228**	**-**
Net inflow / (outflow) on financial instruments		**(124,153)**	**(110,925)**	**(13,228)**	**-**

Note 25. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.48%	7,871	7,871	-	-
Trade and other receivables		23,055	23,055	-	-
Total anticipated inflows		**30,926**	**30,926**	**-**	**-**
Financial liabilities					
Trade and other payables		31,938	31,938	-	-
Borrowings	4.66%	22,490	4,355	18,135	-
Bank overdraft *	6%	153,299	153,299	-	-
Total expected outflows		**207,727**	**189,592**	**18,135**	**-**
Net inflow / (outflow) on financial instruments		**(176,801)**	**(158,666)**	**(18,135)**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

(c) Market risk

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

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

<u>Interest rate risk</u>

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

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

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

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

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

Directors' declaration

In accordance with a resolution of the Directors of Mission Beach Community Enterprises Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 36 are in accordance with the *Corporations Act 2001* and:

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

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

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

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

Kelly Cavallaro
Director

Signed at Mission Beach on 26 September 2019.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MISSION BEACH COMMUNITY ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion:

(a) the financial report of Mission Beach Community Enterprises Limited is in accordance with the *Corporations Act 2001*, including:

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

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

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

Basis for Opinion

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

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

Independence

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

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

Director's Responsibility for the Financial Report

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

Independent audit report (continued)

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

Auditor's Responsibility

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

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

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

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

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

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

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

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

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

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

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

Independent audit report (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 27 September 2019

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