Moorabool Community Enterprises Limited

ABN 46 148 907 591

2019 Annual Report

Ballan & District **Community Bank®** Branch

Contents

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
Head of Community Support
Bendigo and Adelaide Bank

Chairman's Report

For year ending 30 June 2019

On behalf of the Board of Moorabool Community Enterprises Limited (MCEL), I have great pleasure in presenting this year's Chairman's report.

Partnering with Australia's fifth largest bank, we're proud of the contribution we make to what is one of Australia's most trusted brands. We are now in our eighth year of operation. As you can see on our financial reports, like last year, we have continued our strong and steady growth. Our Branch Manager, Luke Calder, continues to work closely with our partner, Bendigo and Adelaide Bank, on ways to improve the customer experience and has led his team in driving this growth. Luke has continued his great work over the past 12 months, keeping busy attending and contributing to events in our local communities within West Moorabool. Luke understands community-based towns, as a country boy himself. We are lucky that we have a Branch Manager who understands the broad range of customers including farmers, small businesses, first home buyers, etc. Thank you to Luke and your team.

To our shareholders another big thank you. You have been there from the start and are now seeing some reward for your financial contribution and belief in our bank. I do believe that after seven years we have become a 'big deal' in our local communities with the contribution we have put back into our towns. This includes money spent on wages, local contractors, community groups and shareholder returns including almost four-hundred thousand dollars in community contributions. If you are a shareholder but not a customer please consider transferring some or all of your banking business across. Your support is critical to the community success of your branch. Our role as Directors is to advocate for the bank and if our 295 shareholders banked with us, advocated for us, or even referred just one customer to Ballan & District **Community Bank**® Branch – imagine the growth to our business and to your investment. And ultimately, the benefit to your community with a greater pool of funds to distribute to community groups, projects and shareholders.

Thanks go to our loyal customers who believe in our **Community Bank**® branch and have helped us grow to be the successful **Community Bank**® branch that we are today. The growth of our existing customer base will mean a further growth in your investment and our ability to increase our community investment program.

Once again, I would like to thank the valued members of our volunteer Board. Our role as Directors is to not only steer and govern our company but to be advocates for our **Community Bank**® branch. We are available to talk to groups about the **Community Bank**® model and the benefits of this unique banking model. We are fortunate that our Board members represent many of our local communities including Dunnstown, Bungaree, Clarkes Hill, Springbank, Gordon, Ballan and Myrniong. Such diversity is a great asset for the overall strength of our bank. Thank you to those who act as committee Chairs. Your time and leadership when heading up these important cogs in our operation contributes to us being an effective bank Board. A special thank you to our ex-Chairman Robert Eskdale who heads up the Assets and Capital Management Committee and for their work done in securing our land purchase in September 2018. I would like to sincerely thank Laura Hudson for her contribution to our bank as a Board member over the last few years. Laura decided to step down from her Director role during the year and I wish her well with her future pursuits. I would like to sincerely thank Mark Powell from Myrniong who has decided to step down from the Board but pleasingly will continue to stay involved with the bank at committee level. Your contributions over the years to our enterprise are truly valued.

Chairman's Report (continued)

Finally, a big thankyou to our new Board Support Officer, Joy Geoghegan. Joy started with us in December 2018 and has a great work ethic that continues to provide the high standard support expected. Thank you Joy.

We continue to invest more each year into the community through sponsorships, grants and donations. As you can see the financial growth of the MCEL banking business has gone from strength to strength. We look forward to funding bigger and better projects within the community now that we are achieving sustained profits. Remember we support those organisations that support us. It is most important that the community groups that have received sponsorship continue to bring their members' banking business to our **Community Bank**® branch.

I commend this 2018/19 Annual Report to you.

Darren Rix
Chairman

Manager's Report

For year ending 30 June 2019

It is with great pleasure I present to you the annual Ballan & District **Community Bank**® Branch Manager's report for 2019. We have had another successful year. In extremely conservative and tough economic conditions we have seen footings grow a further $20.1 million over this past year. This now takes our overall footings to $155.7 million.

It is true that once a Ballan & District **Community Bank**® Branch customer, always a Ballan & District **Community Bank**® Branch customer. We value each and every one of our customers who entrust us with their banking

This year our Branch met or exceeded most set KPI's which has resulted in a strong profit and record turnover. We now boast 1,859 customers, which is an increase of 9.2% from the previous year. We added a further 336 bank accounts, which was an increase of 13.1% from the previous year. Our team boasts great service as we have been recognised as a benchmark branch in our region. We have been nominated for 'Branch of the Year' for the past three consecutive years.

Our services spread across the West Moorabool area, which include the Branch and ATM located in Ballan, and the ATM located at the Bungaree General Store. We continue to ensure our customers have easy access to their banking.

In line with our values we have continued to provide vital funding for local community groups and projects proving that we are the Better Big Bank. We have now contributed close to $400,000 in community contributions and sponsorships in our seven and half years of operation. I wish to thank every single one of our customers and shareholders as with your continued support this is just the beginning of what we can achieve together.

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 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. For those people who want to continue the tradition of coming into the branch – we're not going anywhere. We're still here and we're committed to helping you over the counter with all your banking needs.

This year we said goodbye to our long serving and much-loved staff member Linda Layton, who has moved into the Rural arm of Bendigo Bank to further her career. We have since welcomed Rachel Kraljik to the team who has joined us from the Bacchus Marsh **Community Bank**® Branch. Rachel brings with her a wealth of knowledge and experience. The movement of staff has given Shannen Lacey the opportunity to step up to Customer Relationship Manager and Shannon Bailey to step up to Customer Relationship Officer. Both are thriving in their new roles and the both are ensuring the Ballan & District **Community Bank**® Branch continues to experience success.

It has been a great achievement to record such results in a tough and competitive financial market and to this end I congratulate our staff, Board, our loyal and supportive customers and shareholders.

On a personal note I would like to thank our staff, Shannen, Shannon, Sharren, Drew and Rachel for their professionalism and high work ethic. The Board of Directors for their volunteered time, hard work and dedication and our Board Support Officer Joy Geoghegan who joined us this financial year and has been doing a wonderful job providing high level behind the scenes administrative assistance to both the branch and the Board. Their passion and high standards demonstrated have ensured every success to our customers and our organisation.

Manager's Report (continued)

We again look forward to the ongoing support from our local communities, while we continue to grow relationships with existing and potential customers to ensure prosperity and sustainability in our region.

Finally, I call to action our valued shareholders for assistance. For us to continue such positive results we need your help and advocacy. If you know of anyone seeking banking products or are currently dissatisfied with their current choice of financial institution, please talk to them about what we do and what we stand for. Banking is an everyday function for every single person in the community. The difference with the **Community Bank**® model is that every time people bank with Ballan & District **Community Bank**® Branch, the bottom line increases and as such, community contributions and dividends increase as well. If you yourself are currently not banking with the Ballan & District **Community Bank**® Branch, then now is time to make the change. Contact the branch on (03) 5368 1133 to make your appointment today.

Luke Calder
Branch Manager

2018/19 Financial Year Highlights

Total footings
$155.7 million

Footings growth
$20.1 million 14.9%

Total customers
1,859 9.2%

Community contributions
$97,000

Revenue
$1.043 million 12.3%

Profit before tax and contributions
$383,000 52%

Shareholder distributions
$37,600
December 2018: 5c dividend

Ballan & District **Community Bank**® Branch

Branch team

Ballan & District **Community Bank**® Branch staff, left to right:
Sharren Mullane, Shannen Lacey, Shannon Bailey, Rachel Kraljik, Drew Elliot and Luke Calder (Branch Manager).

Community Investment 2011-2019

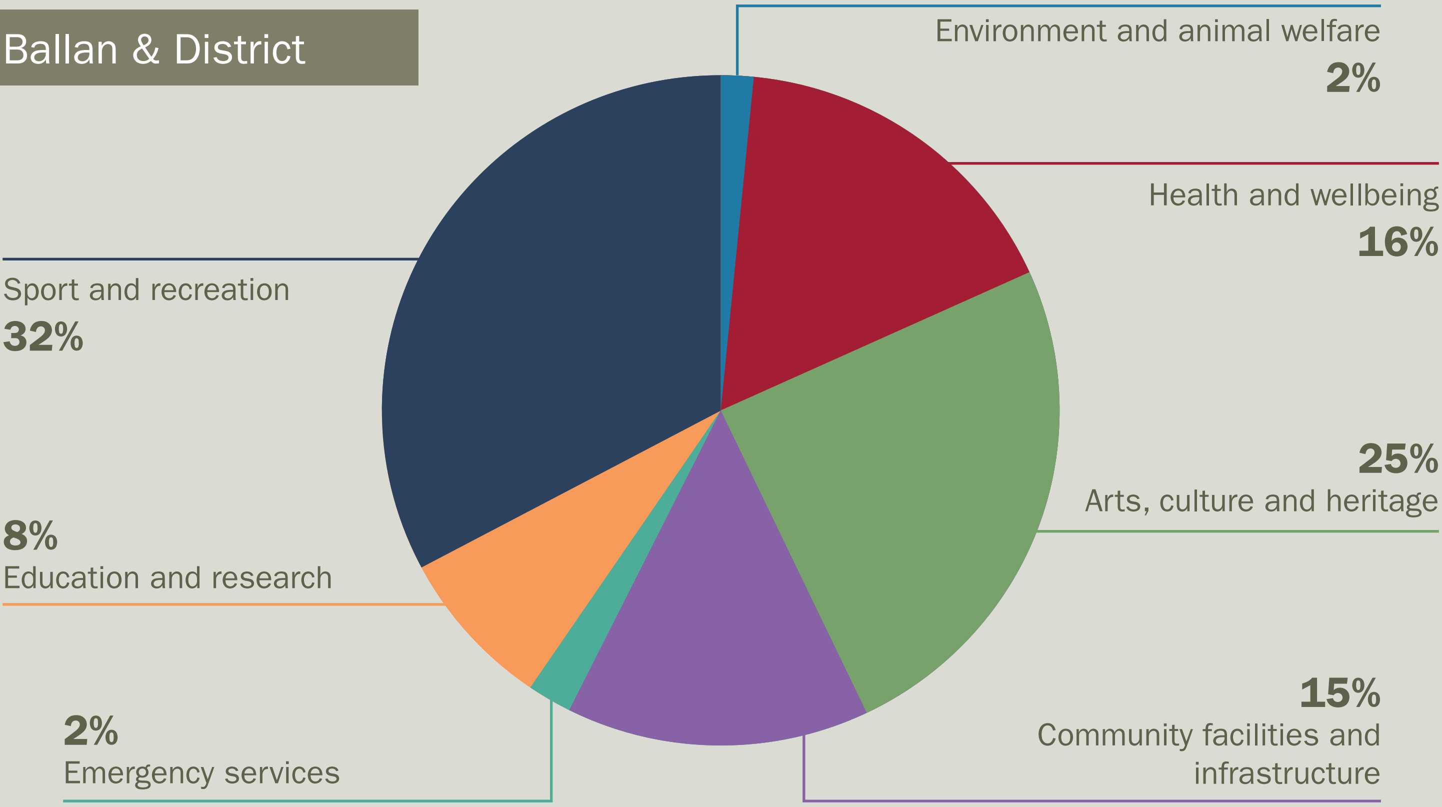
Investments in Ballan & District since opening in November 2011 to June 2019

Shareholder distributions $127,600
+
Community contributions $392,000
+
Local suppliers & service providers $488,800
+
Local employment and development $2.336 million
=
Total community investment **$3.344 million** 2011-2019

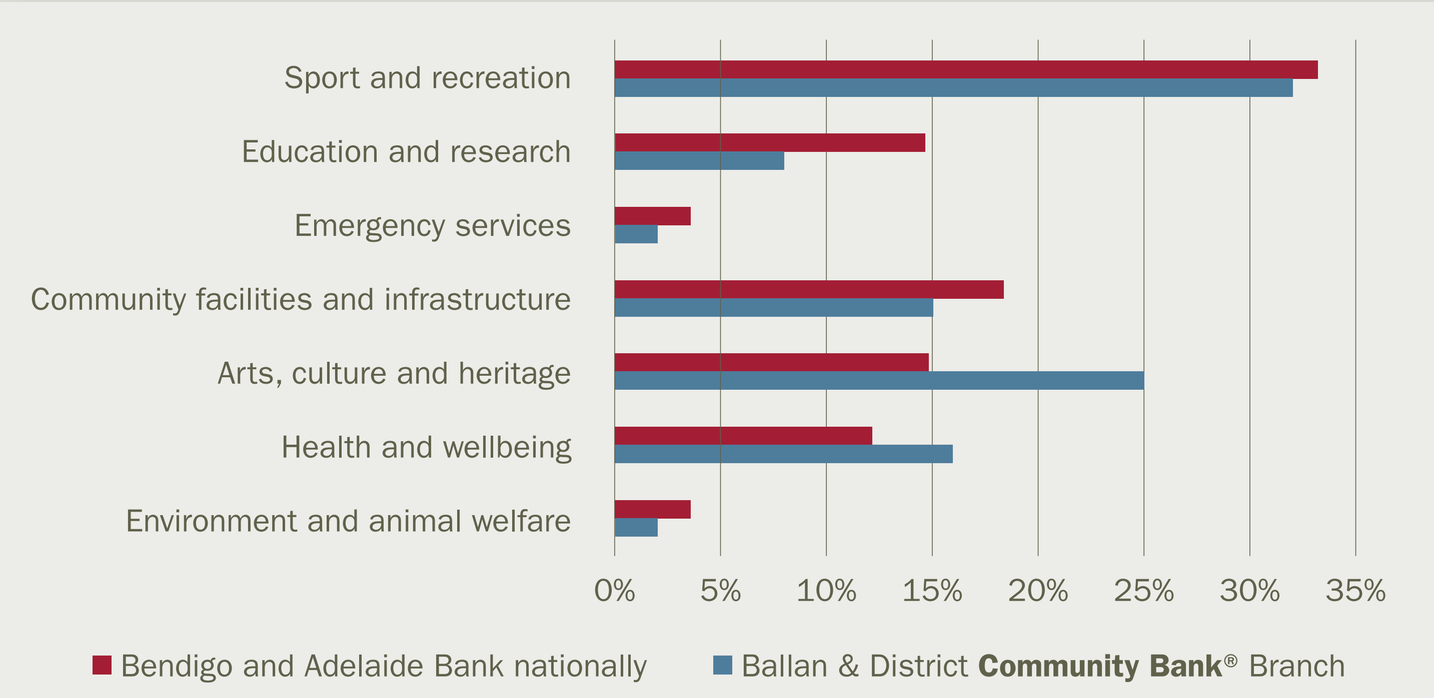
Community Contributions November 2011 to June 2019

Ballan & District Community Investment Program

Ballan & District



Bendigo and Adelaide Bank / Ballan & District comparison



Community Investment Program

$391,984

Investments in Ballan & District since opening in November 2011 to June 2019.

1. Australia Day Wood Chop for CFA.
2. Bungaree Anzac Day Service.
3. Ballan Autumn Festival.
4. Equipment for preschool.
5. CWA Mid Winter Bush Dance.
6. Mountain of Fun Run.
7. Bee Keeping Workshop.
8. Dunnstown Football Netball Club.
9. Myrniong Music Festival – sponsorship of children's area.

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:

Darren Patrick Rix

Chair/Director

Occupation: Business Owner/Operator

Qualifications, experience and expertise: Darren operates an AVIS car and truck rental franchise in Ballarat, Bendigo, Footscray and Western Victoria, Budget car and truck rental franchises in Ballarat and Bendigo. Darren has been in business for 26 years and the rental business for 22 years. He is on the Committee of the Bungaree Football Netball Club and is a Life Member. He is also a member of the Bungaree Recreation Reserve Committee of Management and the Vice Chairman and Director of the Association of Avis Franchises Ltd.

Special responsibilities: Chair, Asset & Capital Management Committee, Community Engagement & Investment Committee, Strategic Planning Committee

Interest in shares: 17,501

Jennifer Maree Hudson

Company Secretary/Director

Occupation: Finance Manager

Qualifications, experience and expertise: Jennifer holds a Diploma of Business and a Masters of Business Administration and has extensive experience in business management in small to medium enterprises. Jennifer is the Finance Manager for a manufacturing business in Ballarat and is a Past President of the Rotary Club of Wendouree Breakfast. She is also a member of the Australian Institute of Company Directors and a Fellow of the Institute of Managers and Leaders. Jennifer's particular areas of interest in an organisation are strategy and governance.

Special responsibilities: Company Secretary, Deputy Treasurer, Acting Chair Governance & Risk Committee, Deputy Strategic Planning Committee

Interest in shares: 2,001

Robert John Eskdale

Director

Occupation: Consultant Engineer and Town Planner

Qualifications, experience and expertise: Robert is a Civil Engineer who has spent over 25 years in local Government including 13 years as Shire Engineer with the former Ballan Shire Council. For the last 24 years Robert has run his own local Engineering & Town Planning Consultancy. Robert has long standing involvements with the Ballan District Health & Care (Ballan Hospital), the Ballan Jockey Club and is currently the Chairman of Ballan & District Chamber of Commerce.

Special responsibilities: Chair of Asset & Capital Management Committee

Interest in shares: 16,000

Directors' Report (continued)

Directors (continued)

Dominic Gerard Hanrahan

Deputy Chair/Director

Occupation: Senior Forensic Analyst

Qualifications, experience and expertise: Born in Ballarat, Dominic has lived at Navigators for the past 18 years with his wife and four children. He grew up nearby on a potato farm at Dunnstown and attended St Patrick's College in Ballarat. Dominic graduated from the University of Ballarat with a degree in Applied Science (Computer Science/Laboratory Instrumentation) in 1990. Dominic has been in the Information Technology business for 28 years and works for IBM Australia as a Senior Forensic Analyst. He has NV2 clearance and has performed work for various corporations and government departments. Dominic is licensed as a Private Investigator and holds a Victorian Private Security Licence. Dominic was previously on the St Francis Xavier Primary School Board and prior to that the St Francis Xavier Primary School Parents and Friends Committee. He is a member of the Mt Warrenheip CFA.

Special responsibilities: Deputy Chair, Deputy Community Engagement & Investment Committee.

Interest in shares: 11,834

Helen Margaret Mahar

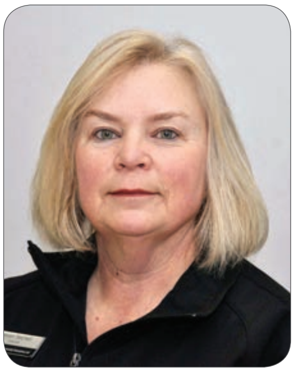
Director

Occupation: Retired

Qualifications, experience and expertise: Helen is now retired after many years working in various administration roles. Helen has completed a Diploma in Human Resources and Certificate IV in Frontline Management. Helen has been actively involved with the Clarkes Hill Tennis Club, St Mary's Primary School and Loreto College. Helen is a member of the Mollongghip Fire Brigade, Life Member of the Springbank Football Netball Club (SFNC) and has been appointed caretaker of the Life Members of SFNC.

Special responsibilities: Deputy Company Secretary, Share Liaison Officer, Chair of Community Engagement & Investment Committee

Interest in shares: 1,000



Helen Fay Tatchell

Director

Occupation: Publisher - Self Employed

Qualifications, experience and expertise: Owner and editor of local newspaper The Moorabool News, over 25 years living in the Ballan Community, heavy involvement as a volunteer with local community organisations including: Ballan Tennis Club, Pony Club, Adult Riding Club, Ballan Football Netball Club, Gordon Football Netball Club, St. Brigid's Primary School, Ballan Jockey Club, Ballan Autumn Festival and Ballan & District Chamber of Commerce.

Special responsibilities: Community Engagement & Investment Committee

Interest in shares: 1,000

Directors (continued)

David Roger Lowery

Treasurer/Director

Occupation: Retired

Qualifications, experience and expertise: Roger holds a Certificate of Business Studies, majoring in accounting and is a Graduate of the Australian Institute of Company Directors. Roger has worked in the office equipment and finance industry for 31 years as CEO, CFO and COO primarily. He has owned and run both small and large businesses ranging from $1 million - $100 million turnover. Roger is an active member of the Gordon community and is involved in the Gordon CFA, Gordon Auskick and is also a member of the Ballan & District Chamber of Commerce. He has lived in Gordon for the past 21 years with his wife Sandra and is passionate about giving back to the community in which he lives.

Special responsibilities: Treasurer, Deputy Governance & Risk Committee

Interest in shares: nil

Barry Francis Sims

Director

Occupation: Retired

Qualifications, experience and expertise: Barry has lived in the area for more than 40 years and has always supported local businesses. Barry was a local builder, Christmas tree farmer and owner of various small businesses in the region.
He has retired, handing the reigns to the 3rd generation of builders. Barry is a former Committee member of the Ballan Football Netball Club and Mt Egerton Tennis Club.
He is actively involved with and is a Committee member of the Ballan Golf Club.

Special responsibilities: Asset & Capital Management Committee

Interest in shares: 30,000

James William Hay

Director (Resigned 20 July 2018)

Occupation: Farmer

Qualifications, experience and expertise: FRMIT Chemical Engineering and ARMIT Applied Chemistry in 1964. Primary work was Operations Management of Oil Refineries for Mobil Technical Services Inc. (New York) for 20 years. National Manufacturing Manager for Laminex Industries for 4 years then for Olex Cables for 4 years. He was then Senior Consultant for the American Bureau of Shipping, Singapore for 7 years and Director of Accreditation Services for ABS Asia Pacific for 3 years. After retirement from ABS, was Senior consultant contractor for a further 10 years working as a Risk Safety Engineer.

Special responsibilities: Chair of Governance & Risk Committee

Interest in shares: 7,501

Directors' Report (continued)

Directors (continued)

Mark William Powell

Director (Resigned 29 September 2018)

Occupation: Construction

Qualifications, experience and expertise: Mark graduated from La Trobe University with a Bachelor of Economics before embarking on a banking career and is now involved in building and construction. Mark has been an active member of the Myrniong community and is on a number of local community boards. Mark was a Board Director of Zoos Victoria.

Special responsibilities: Chair of Strategic Planning Committee, Asset & Capital Management Committee

Interest in shares: 27,501

Laura Ann Hudson

Director (Resigned 1 March 2019)

Occupation: Hospitality Manager

Qualifications, experience and expertise: Laura is a graduate of the Bachelor of Psychological Science from the University of Ballarat. She has been passionately involved in volunteering in the Moorabool area throughout her adolescence and early adulthood. Laura has been a volunteer member of the Bacchus Marsh CFA, a member of the construction crew for the Maddingley Park playground, involved with the Cup Day in the Park Organising Committee, a volunteer with the Neighbours' Place Foodbank and a member of the Bachelor of Psychological Science Representatives Committee during her undergraduate studies. Laura currently volunteers with the Royal South Street Society, primarily in youth music.

Special responsibilities: Community Engagement & Investment Committee

Interest in shares: 500

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 Jennifer Hudson. Jennifer was appointed to the position of secretary on 21 January 2011.

Jennifer has over 31 years experience in management, administration and finance across a broad range of industries. She holds a Diploma of Business and an MBA in Marketing.

Principal Activities

The principal activities of the company during the financial year were in 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 $
181,372	104,738

Dividends

	Year ended 30 June 2019	
	Cents	$
Dividends paid in the year	5	37,606

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 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' Report (continued)

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended							
			Community Engagement & Investment		Governance & Risk		Asset & Capital Management		Strategic Planning	
	E	A	E	A	E	A	E	A	E	A
Darren Patrick Rix	11	9	6	6	-	-	3	3	3	3
Jennifer Maree Hudson	11	10	-	-	3	3	-	-	3	3
Robert John Eskdale	11	10	-	-	-	-	3	3	-	-
Dominic Gerard Hanrahan	11	9	6	5	-	-	-	-	-	-
Helen Margaret Mahar	11	7	6	5	-	-	-	-	-	-
Helen Fay Tatchell	11	6	6	5	-	-	-	-	-	-
David Roger Lowery	11	9	-	-	3	3	-	-	-	-
Barry Francis Sims	11	11	-	-	-	-	3	3	-	-
James William Hay (Resigned 20 July 2018)	-	-	-	-	-	-	-	-	-	-
Mark William Powell (Resigned 29 September 2018)	-	-	-	-	-	-	3	3	3	3
Laura Ann Hudson (Resigned 1 March 2019)	-	-	-	-	-	-	-	-	-	-

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position 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*.

Directors' Report (continued)

Non audit services (continued)

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 17.

Signed in accordance with a resolution of the board of directors at Ballan, Victoria on 28 August 2019.

Darren Patrick Rix
Chair/Director

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 Moorabool Community Enterprises Limited

As lead auditor for the audit of Moorabool 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: 28 August 2019

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Financial Statements

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

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	1,043,714	929,209
Employee benefits expense		(406,167)	(391,858)
Charitable donations, sponsorship, advertising and promotion		(107,447)	(121,062)
Occupancy and associated costs		(58,250)	(56,074)
Systems costs		(36,483)	(33,973)
Depreciation and amortisation expense	5	(51,480)	(30,466)
Finance costs	5	(1,647)	(1,270)
General administration expenses		(121,903)	(149,972)
Profit before income tax expense		**260,337**	**144,534**
Income tax expense	6	(78,965)	(39,796)
Profit after income tax expense		**181,372**	**104,738**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**181,372**	**104,738**
Earnings per share		**¢**	**¢**
Basic earnings per share	23	24.12	13.93

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	383,543	521,463
Trade and other receivables	8	105,322	84,839
Total current assets		**488,865**	**606,302**
Non-current assets			
Property, plant and equipment	9	455,986	144,288
Intangible assets	10	31,338	69,493
Deferred tax asset	11	928	7,370
Total non-current assets		**488,252**	**221,151**
Total assets		**977,117**	**827,453**
LIABILITIES			
Current liabilities			
Trade and other payables	12	58,884	45,811
Current tax liabilities	11	35,427	21,127
Borrowings	13	5,790	5,538
Provisions	14	25,707	19,479
Total current liabilities		**125,808**	**91,955**
Non-current liabilities			
Borrowings	13	27,794	33,584
Provisions	14	4,957	27,122
Total non-current liabilities		**32,751**	**60,706**
Total liabilities		**158,559**	**152,661**
Net assets		**818,558**	**674,792**
EQUITY			
Issued capital	15	690,987	690,987
Retained earnings/(Accumulated losses)	16	127,571	(16,195)
Total equity		**818,558**	**674,792**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings/ (Accumulated Losses) $	Total equity $
Balance at 1 July 2017		728,593	(83,327)	645,266
Total comprehensive income for the year		-	104,738	104,738
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Return of ordinary capital	15	(37,606)		(37,606)
Dividends provided for or paid	22	-	(37,606)	(37,606)
Balance at 30 June 2018		**690,987**	**(16,195)**	**674,792**
Balance at 1 July 2018		690,987	(16,195)	674,792
Total comprehensive income for the year		-	181,372	181,372
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(37,606)	(37,606)
Balance at 30 June 2019		**690,987**	**127,571**	**818,558**

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		1,115,293	974,124
Payments to suppliers and employees		(832,023)	(778,375)
Interest received		6,847	8,188
Interest paid		(1,647)	(1,270)
Income taxes paid		(58,223)	(28,065)
Net cash provided by operating activities	**17**	**230,247**	**174,602**
Cash flows from investing activities			
Payments for property, plant and equipment		(325,023)	(39,230)
Proceeds from property, plant and equipment		-	15,036
Net cash used in investing activities		**(325,023)**	**(24,194)**
Cash flows from financing activities			
Return of share capital	15	-	(37,606)
Proceeds from borrowings		-	42,400
Repayment of borrowings		(5,538)	(5,515)
Transfer of chattel mortgage liability		-	(15,616)
Dividends paid	22	(37,606)	(37,606)
Net cash used in financing activities		**(43,144)**	**(53,943)**
Net increase/(decrease) in cash held		**(137,920)**	**96,465**
Cash and cash equivalents at the beginning of the financial year		521,463	424,998
Cash and cash equivalents at the end of the financial year	**7(a)**	**383,543**	**521,463**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

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 which 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.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (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 AASB 139 Financial Instruments: Recognition and Measurement.

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

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

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

AASB 16 Leases

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

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

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 $265,023.

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 Ballan, Victoria.

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.

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 in relation to:

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

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

b) Revenue

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

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

Revenue calculation

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

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 60 days.

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment (continued)

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

Note 1. Summary of significant accounting policies (continued)

p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables on 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.

<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.

Note 2. Financial risk management (continued)

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest-rate risk

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

(vi) Capital management

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

Note 3. Critical accounting estimates and judgements (continued)

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 carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a 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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

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

Estimation of useful lives of intangible assets

The company recognises an asset for the customer accounts domiciled from Bendigo & Adelaide Bank Limited to the company. The asset is recognised at cost and was previously assessed as having an indefinite useful live. In accordance with AASB 138 Intangible Assets it was assessed for impairment annually and whenever there was an indication that the intangible asset may be impaired.

The company has reassessed the intangible asset and determined it has a finite useful life. This assessment was based on new information provided from Bendigo & Adelaide Bank Limited related to the customer product life.

In accordance with AASB 136 Impairment of Assets, reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired.

The asset was originally acquired for $24,724 in November 2011. The company's reassessment of the useful life provided for a useful life of 5 years. At reporting date, the carrying amount exceeds the recoverable amount indicating the asset is now fully impaired. As such, an impairment loss of $24,724 has been recognised in the accounts.

Note 4. Revenue from ordinary activities

	2019 $	2018 $
Operating activities:		
- gross margin	715,096	604,003
- services commissions	226,425	221,082
- fee income	75,456	66,621
- market development fund	21,250	25,000
Total revenue from operating activities	**1,038,227**	**916,706**
Non-operating activities:		
- interest received	5,487	9,548
- profit on sale of non-current assets	-	2,955
Total revenue from non-operating activities	**5,487**	**12,503**
Total revenues from ordinary activities	**1,043,714**	**929,209**

	2019 $	2018 $

Note 5. Expenses

	2019 $	2018 $
Depreciation of non-current assets:		
- leasehold improvements	4,791	9,392
- plant and equipment	943	1,333
- motor vehicle	7,591	6,310
	13,325	**17,035**
Amortisation of non-current assets:		
- franchise fee	2,238	2,238
- franchise renewal fee	11,193	11,193
	13,431	**13,431**
Impairment of intangible assets	24,724	-
	51,480	**30,466**
Finance costs:		
- interest paid	**1,647**	**1,270**
Bad debts	**(113)**	**698**

Note 6. Income tax expense

	2019 $	2018 $
The components of tax expense comprise:		
- Current tax	72,523	46,663
- Movement in deferred tax	6,442	(6,867)
	78,965	**39,796**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	260,337	144,534
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	71,593	39,747
Add tax effect of:		
- non-deductible expenses	7,372	87
- timing difference expenses	(6,442)	7,642
- other deductible expenses	-	(813)
	72,523	**46,663**
Movement in deferred tax	6,442	(6,867)
	78,965	**39,796**

	2019 $	2018 $

Note 7. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	179,809	49,986
Term deposits	203,734	471,477
	383,543	**521,463**

Note 7.(a) Reconciliation to Statement of Cash Flows

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:

	2019 $	2018 $
Cash at bank and on hand	179,809	49,986
Term deposits	203,734	471,477
	383,543	**521,463**

Note 8. Trade and other receivables

	2019 $	2018 $
Trade receivables	99,874	75,113
Prepayments	5,448	8,366
Other receivables and accruals	-	1,360
	105,322	**84,839**

Note 9. Property, plant and equipment

	2019 $	2018 $
Land and buildings		
Freehold land		
At cost	323,398	-
Leasehold improvements		
At cost	168,500	168,500
Less: accumulated depreciation	(71,664)	(66,873)
	96,836	**101,627**
Plant and equipment		
At cost	35,803	34,178
Less: accumulated depreciation	(26,424)	(25,481)
	9,379	**8,697**

	2019 $	2018 $
Note 9. Property, plant and equipment (continued)		
Motor vehicles		
At cost	37,957	37,957
Less: accumulated depreciation	(11,584)	(3,993)
	26,373	**33,964**
Total written down amount	**455,986**	**144,288**
Movements in carrying amounts:		
Land		
Carrying amount at beginning	-	-
Additions	323,398	-
Carrying amount at end	**323,398**	**-**
Leasehold improvements		
Carrying amount at beginning	101,627	111,019
Less: depreciation expense	(4,791)	(9,392)
Carrying amount at end	**96,836**	**101,627**
Plant and equipment		
Carrying amount at beginning	8,697	8,759
Additions	1,625	1,271
Less: depreciation expense	(943)	(1,333)
Carrying amount at end	**9,379**	**8,697**
Motor vehicles		
Carrying amount at beginning	33,964	14,398
Additions	-	37,956
Disposals	-	(12,080)
Less: depreciation expense	(7,591)	(6,310)
Carrying amount at end	**26,373**	**33,964**
Total written down amount	**455,986**	**144,288**

Note 10. Intangible assets

Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	**-**

Note 10. Intangible assets (continued)

	2019 $	2018 $
Franchise fee (i)		
At cost	21,192	21,192
Less: accumulated amortisation	(15,969)	(13,730)
	5,223	**7,462**
Franchise renewal process fee (i)		
At cost	55,961	55,961
Less: accumulated amortisation	(29,846)	(18,654)
	26,115	**37,307**
Other intangible assets:		
Ballan agency payout	2,644	2,644
Redomicile fee	22,080	22,080
Less: accumulated impairment	(24,724)	-
	-	**24,724**
Total written down amount	**31,338**	**69,493**

(i) The company's franchise agreement was renewed with Bendigo and Adelaide Bank Limited for an additional five years on 4 November 2016. The renewal fee consists of the Franchise Fee payment of $11,192 (ex GST) and Renewal Process Fee of $55,961 (ex GST). The franchise fees are classed as intangible assets under AASB 138 and therefore are amortised on a straight line basis over the life of the franchise agreement of five years, which equals 20% each year.

Note 11. Tax

	2019 $	2018 $
Current:		
Income tax payable	**35,427**	**21,127**
Non-current:		
Deferred tax assets		
- accruals	1,242	1,155
- employee provisions	8,432	14,534
	9,674	**15,689**

	2019 $	2018 $
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	-	374
- property, plant and equipment	8,746	7,945
	8,746	**8,319**
Net deferred tax asset	**928**	**7,370**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**6,442**	**(6,867)**

Note 12. Trade and other payables

Trade creditors	7,165	8,560
Other creditors and accruals	51,719	37,251
	58,884	**45,811**

Note 13. Borrowings

Current:		
Chattel mortgage	**5,790**	**5,538**
Non-current:		
Chattel mortgage	**27,794**	**33,584**

The company entered into a chattel mortgage for a 2017 Mitsubishi Triton on 21 December 2017 for a five year term. Interest is charged at 4.50%. The loan is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:		
Provision for annual leave	8,980	19,479
Provision for long service leave	16,727	-
	25,707	**19,479**
Non-current:		
Provision for long service leave	**4,957**	**27,122**

The long service leave is conditional upon an employee attaining seven years service with the company. As the company has operated for less than seven years, no employee has attained seven years service. Once an employee attains seven years service their long service leave entitlement becomes unconditional.

	2019 $	2018 $
Note 15. Issued capital		
752,110 ordinary shares fully paid (2018: 752,110)	752,110	752,110
Less: equity raising expenses	(23,517)	(23,517)
Less: return of capital (i)	(37,606)	(37,606)
	690,987	**690,987**

(i) 5% of capital was returned to shareholders in December 2017 as per the passed resolution at the Annual General Meeting on 22 November 2017.

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*.

Note 15. Issued capital (continued)

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 277. As at the date of this report, the company had 295 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.

Note 16. Retained earnings/(Accumulated losses)

	2019 $	2018 $
Balance at the beginning of the financial year	(16,195)	(83,327)
Net profit from ordinary activities after income tax	181,372	104,738
Dividends paid or provided for	(37,606)	(37,606)
Balance at the end of the financial year	**127,571**	**(16,195)**

Note 17. Statement of cash flows

	2019 $	2018 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	181,372	104,738
Non cash items:		
- depreciation	13,325	17,035
- amortisation	13,431	13,431
- profit on disposal of asset	-	(2,955)
- impairment on intangible assets	24,724	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(20,483)	(8,826)
- (increase)/decrease in other assets	6,442	(6,867)
- increase/(decrease) in payables	13,073	18,573
- increase/(decrease) in provisions	(15,937)	20,875
- increase/(decrease) in tax liabilities	14,300	18,598
Net cash flows provided by operating activities	**230,247**	**174,602**

Note 18. Leases

	2019 $	2018 $
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	7,185	7,185
- between 12 months and 5 years	30,085	37,270
- greater than 5 years	-	-
Minimum lease payments	**37,270**	**44,455**
Less future finance charges	(3,686)	(5,333)
Present value of minimum lease payments	**33,584**	**39,122**

The company entered into a chattel mortgage for a 2017 Mitsubishi Triton on 21 December 2017 for a five year term. Interest is charged at 4.50%. The loan is secured by a fixed and floating charge over the company's assets.

	2019 $	2018 $

Note 18. Leases (continued)

Operating lease commitments

	2019 $	2018 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	36,140	35,087
- between 12 months and 5 years	48,186	78,946
	84,326	**114,033**

The branch premises lease is a non-cancellable lease with a five-year term, commencing 7 October 2016, with rent payable monthly in advance.

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

	2019 $	2018 $
- audit and review services	4,600	4,400
- share registry services	4,348	7,369
- non audit services	3,697	4,657
	12,645	**16,426**

Note 20. Director and related party disclosures

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

Darren Patrick Rix
Jennifer Maree Hudson
Robert John Eskdale
Dominic Gerard Hanrahan
Helen Margaret Mahar
Helen Fay Tatchell
David Roger Lowery
Barry Francis Sims
James William Hay (Resigned 20 July 2018)
Mark William Powell (Resigned 29 September 2018)
Laura Ann Hudson (Resigned 1 March 2019)

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 $
Note 20. Director and related party disclosures (continued)		
Transactions with related parties:		
Jennifer Maree Hudson provided bookkeeping and administrative services to the company to the value of:		
	-	1,000
Helen Fay Tatchell was paid for advertising services	3,145	5,252
Darren Patrick Rix supplied a bus for a board bus trip	255	-

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Ballan, Victoria. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privileges Package are $1,331 for the year ended 30 June 2019 (2018: $808).

Directors' shareholdings	**2019**	**2018**
Darren Patrick Rix	17,501	17,501
Jennifer Maree Hudson	2,001	2,001
Robert John Eskdale	16,000	16,000
Dominic Gerard Hanrahan	11,834	10,334
Helen Margaret Mahar	1,000	1,000
Helen Fay Tatchell	1,000	1,000
David Roger Lowery	-	-
Barry Francis Sims	30,000	30,000
James William Hay (Resigned 20 July 2018)	7,501	7,501
Mark William Powell (Resigned 29 September 2018)	27,501	10,001
Laura Ann Hudson (Resigned 1 March 2019)	500	500

Dominic Gerard Hanrahan purchased 1,500 shares during the 2018-19 financial year. Mark William Powell purchased 17,500 shares during the 2017-18 financial year.

There were no other movements in directors' shareholdings during the year.

Note 21. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2019 $	2018 $
Note 22. Dividends paid or provided for		
a. Dividends paid during the year		
Current year dividend		
Unfranked dividend - 5 cents per share (2018: 5 cents)	**37,606**	**37,606**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	72,023	28,065
- franking credits that will arise from payment of income tax as at the end of the financial year	35,427	21,127
Franking credits available for future financial reporting periods:	107,450	49,192
Net franking credits available	**107,450**	**49,192**

Note 23. Earnings per share

	2019 $	2018 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	181,372	104,738

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	752,110	752,110

Note 24. 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 25. 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 26. Segment reporting

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

Note 27. 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

Shop 1 & 2, 135 Inglis Street
Ballan VIC 3342

Principal Place of Business

Shop 1 & 2, 135 Inglis Street
Ballan VIC 3342

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 %**	**2018 %**
Financial assets												
Cash and cash equivalents	179,809	49,986	203,734	471,477	-	-	-	-	-	-	1.44	2.04
Receivables	-	-	-	-	-	-	-	-	99,874	75,113	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,790	5,538	27,794	33,584	-	-	-	-	4.06	3.73
Payables	-	-	-	-	-	-	-	-	7,165	8,560	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

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.

Notes to the Financial Statements (continued)

Note 28. Financial instruments (continued)

Sensitivity Analysis (continued)

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%	3,835	5,215
Decrease in interest rate by 1%	(3,835)	(5,215)
Change in equity		
Increase in interest rate by 1%	3,835	5,215
Decrease in interest rate by 1%	(3,835)	(5,215)

Directors' Declaration

In accordance with a resolution of the directors of Moorabool 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.

Darren Patrick Rix
Chair/Director

Signed on the 28 August 2019.

Independent Audit Report

Partners in success
Chartered Accountants

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

Independent auditor's report to the members of Moorabool Community Enterprises Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Moorabool 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
Moorabool 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.

Independent Audit Report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 28 August 2019

Joshua Griffin
Lead Auditor

Ballan & District **Community Bank**® Branch
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