

Mount Gambier & District Financial Services Limited

ABN 42 096 059 997



2019 Annual Report

Mount Gambier & District
Community Bank Branch

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Chair's report

For year ending 30 June 2019

I am pleased to report as Chair of the Board of Mount Gambier & District Financial Services Limited, our local Community Bank branch owner for the year ended June 2019.

As outlined in the financial reports, the Community Bank has performed well this year in an environment which continues to be challenging. This environment is one which requires constant analysis by the Board, to ensure we fulfil our responsibilities. We recognise your key role as our shareholders, thank you for your support.

Our strong performance is due to the leadership of our Branch Manager, Tracy Koop, and the dedicated and skilled work of staff, who are part of our community and provide exemplary customer service. The Board thanks them and acknowledges their work.

As outlined elsewhere in the report, we have maintained our community investment program this year, and have now provided over \$880,000 in financial support for community initiatives and projects since commencing the program. Prominent community investments this year included \$12,500 to the Western Border Football League, \$10,000 to the local Foodbank and \$10,000 in scholarships for regional students undertaking university degrees in metropolitan areas. We have also provided funding for additional defibrillator machines to community groups, continued supporting WIN TV's breast cancer awareness fundraising and provided grants to smaller community groups such as Bayside Festival, South East Animal Welfare League, Sunset Community Kitchen, Mil Lel Cricket Club and many local sporting and community organisations.

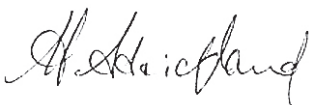
This is what makes our Community Bank branch special – we give back and we see this as a critical factor in our company.

In addition, we have the benefit of being part of a national, highly respected brand, and can therefore provide a wide range of quality products to our customers.

The Board collectively has a strong skill set to provide strategic direction. In particular, Board members have excellent skills in the areas of finance, governance, strategic planning, promotion, business development and community engagement. The Board is comprised of individuals from the community, elected for a three year period. We fulfil our responsibilities to the business and the community by ensuring we are well informed and take part in workshops and briefings. The voluntary work of Directors in providing leadership is acknowledged and appreciated, thank you. We all enjoy being a part of and supporting such a great business.

The Board continues to implement our Strategic Plan, which facilitates a clear vision for the future, a solid understanding of the Community Bank model and effective community engagement. We continue to discuss the changing nature of banking and the implications that has for the way we operate. We know that the way that many people use our bank is changing, as online transactions continue to grow, and this has implications for the way we interact with our customers and the way that the branch is configured.

I encourage all of you to help spread our story and promote our branch with friends and neighbours, because a stronger Community Bank branch can do more for our community.



Helen Strickland
Chair

Manager's report

For year ending 30 June 2019

It is my pleasure to present our Annual Report for 2018/19.

The past year has seen a lot of changes in banking including the tightening of regulations and the decrease in rates – both lending and deposit based. It has also seen a lot of changes within our own bank with staff taking leave to raise families and others joining our team to ensure we always give the best possible customer service.

Rates have been a large topic of conversation within the community and where this is a good thing for our lending clients it is not so good for our deposit based clients. Although we cannot control the rates, we can ensure we give the best that we are able to offer and remain competitive within the financial sector. We are also mindful that we have a responsibility to you, our shareholders. We continue to endeavour to keep our clients happy but without compromising the income stream for our business, to ensure your investment in our shares is also considered.

It is pleasing to see that we have once again had a profitable year which has meant that we have been able to continue to support a large variety of causes and events within our community. Overall, we have given back just over \$880,000 since opening in 1991, a feat that you should all be very proud of.

Three of our staff welcomed new additions to their families this year which has meant that we also have welcomed new staff members to assist while they are on parental leave. We have taken on our second twelve month trainee which gives a local school leaver a chance to work in a busy and diversified business prior to heading off to university.

I would like to take this opportunity to thank all my team for their hard work and continued focus over the past twelve months, along with the Business Banking team and Rural Bank Manager who share our offices. The three sections of Bendigo and Adelaide Bank Limited work together to be able to provide our customers with a complete financial suite of products, whether it be for personal, business or agriculture. Complemented by the ability to access insurance, telephone providers and other departments of expertise through Bendigo and Adelaide Bank Limited head office, we really are a one stop shop.

Please remember to tell your family and friends, as well as take the opportunity yourself, to come in and have a chat about financial situations and needs. You already know the benefits this will bring to our community but you never know what benefits it can bring to you unless you give us the opportunity to have the discussion.

I look forward to the new financial year where the Mount Gambier team will continue to explore the future of banking and how we can assist our existing and new clients achieve their dreams.

Until next year,



Tracy Koop
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2019

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

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

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

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

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

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

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

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

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



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2019

Your Directors submit their report 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 are:

Ms. Helen Mary Strickland M.Ed B.Ed

Chair
Board Member since 16/04/2014

Ms. Anne Eitzen, FIPA

Secretary
Board Member since 16/04/2014

Mr. Joshua Heaver

Board Member since 22/03/2017

Mr Rodney George Summers

Board Member since 07/01/2009

Mrs. Karen Lee Olive

Board Member since 29/04/2009

Mr. Mark Fullford

Board Member since 16/04/2014

Ms. Barbara Winifred Munt

Board Member since 16/04/2014

Ms Ute Herrmann-Bullock

Board Member since 22/03/2017

Ms. Roberta Lee Coke

Board Member since 22/10/2014
Resigned 07/12/2018

Mr. Francis Charles Wilcox JP

Board Member since 24/06/2015

Mr John Millhouse

Board Member since 22/03/2017

Ms. Terasa Lee Nearmy

Board Member since 24/06/2015
Resigned 28/12/2018

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

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

Principal activities

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

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

Operating Results

Revenue was steady throughout the year, overall exceeding budgeted forecasts by 5%.

Expenses were below budgeted expectations and down slightly on the prior year.

This resulted in an increase of profit compared to the previous financial year by almost 60%.

The profit/(loss) of the Company for the financial year after provision for income tax was 2019: \$140,635 2018: \$88,730

Financial position

The net assets of the company have increased by \$117,062 from 30 June 2018 to \$1,389,611 in 2019. The increase is largely due to the repayment of the company debt.

| Dividends | Year Ended 30 June 2019 | |
|--|-------------------------|--------|
| | Cents Per Share | \$ |
| Final dividends recommended: | 5 | 23,574 |
| Dividends paid in the year: | | |
| - Final for the year (as recommended in prior year report) | 5 | 23,574 |

Directors' report (continued)

Events after the reporting period

Since balance date, the world financial markets have shown some volatility that may have an impact on investment earnings in the 2019/20 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Remuneration report

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

Indemnifying officers or Auditor

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

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

Directors Meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

| Director | Board Meetings |
|---------------------------|----------------|
| Ms. Helen Mary Strickland | 10(11) |
| Ms. Anne Eitzen | 8 (11) |
| Mr. Rodney George Summers | 9 (11) |
| Mrs. Karen Lee Olive | 10 (11) |
| Mr. Mark Fullford | 9 (11) |
| Ms. Barbara Winifred Munt | 6 (11) |
| Mr Joshua Heaver | 11 (11) |
| Ms. Roberta Coke | 5 (5) |
| Mr. Frank Wilcox | 9 (11) |
| Mr. John Millhouse | 6 (11) |
| Ms. Terasa Nearmy | 1 (4) |
| Ms Ute Herrmann-Bullock | 9 (11) |

Directors' report (continued)

Company Secretary

Anne Eitzen, a member of the Institute of Public Accountants has been the company secretary since 24/07/2014, and has had over 26 years experience as a former Company Secretary/Accountant with the Scott Group of Companies.

Corporate Governance

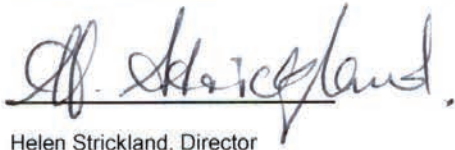
The Company has implemented various corporate governance practices, which include:

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 30.

Signed in accordance with a resolution of the Board of Directors at Mount Gambier
on 25th day of September 2019



Helen Strickland, Director

Financial statements

Mount Gambier District Financial Services Limited

ABN 42 096 059 997

Statement of Comprehensive Income for the year ended 30 June 2019

| | <u>Notes</u> | 2019 \$ | 2018 \$ |
|---|--------------|--------------------------|--------------------------|
| Revenue | 2 | 1,492,365 | 1,433,000 |
| Employee benefits expense | 3 | (732,793) | (721,821) |
| Depreciation and amortisation expense | 3 | (23,646) | (22,875) |
| Finance costs | 3 | (102,037) | (102,715) |
| Other expenses | | <u>(361,419)</u> | <u>(402,870)</u> |
| Operating profit/(loss) before charitable donations & sponsorships | | 272,470 | 182,719 |
| Charitable donations and sponsorship | | <u>(76,914)</u> | <u>(60,332)</u> |
| Profit/(loss) before income tax expense | | 195,556 | 122,387 |
| Income tax expense / (benefit) | 4 | <u>53,344</u> | <u>33,657</u> |
| Net Profit/(loss) for the year | | 142,212 | 88,730 |
| Other comprehensive income | | | |
| Net profit/(loss) on disposal of non-current assets | 5 | <u>(1,577)</u> | <u>-</u> |
| Total comprehensive income for the year | | <u><u>140,635</u></u> | <u><u>88,730</u></u> |
| Earnings per share (cents per share) | | ¢ | ¢ |
| - basic for profit / (loss) for the year | 24 | 29.83 | 18.82 |
| - diluted for profit / (loss) for the year | 24 | 29.83 | 18.82 |

The accompanying notes form part of these financial statements

Financial statements (continued)

Mount Gambier District Financial Services Limited
ABN 42 096 059 997
Statement of Financial Position
As at 30 June 2019

| | <u>Notes</u> | 2019 \$ | 2018 \$ |
|--|--------------|--------------------------|--------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 229,322 | 178,238 |
| Receivables | 7 | 143,711 | 130,287 |
| Current Tax Receivable | 4 | - | - |
| Prepayments | 8 | 16,536 | 13,532 |
| Right-of-use assets | 25 | 72,132 | - |
| Total Current Assets | | <u>461,701</u> | <u>322,057</u> |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 102,726 | 113,516 |
| Deferred tax assets | 4 | 9,565 | 10,981 |
| Intangible assets | 10 | 2,767,693 | 2,767,693 |
| Right-of-use assets | 25 | 100,583 | - |
| Total Non-Current Assets | | <u>2,980,567</u> | <u>2,892,190</u> |
| Total Assets | | <u>3,442,268</u> | <u>3,214,247</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 11 | 99,595 | 69,144 |
| Loans and borrowings | 12 | 214,800 | 228,000 |
| Current tax payable | 4 | 28,036 | 601 |
| Provisions | 13 | 12,151 | 9,787 |
| Lease Liability | 25 | 72,132 | - |
| Total Current Liabilities | | <u>426,714</u> | <u>307,532</u> |
| Non-Current Liabilities | | | |
| Trade and Other Payables | 11 | - | - |
| Loans and borrowings | 12 | 1,502,206 | 1,604,023 |
| Provisions | 13 | 23,154 | 30,143 |
| Lease Liability | 25 | 100,583 | - |
| Total Non-Current Liabilities | | <u>1,625,943</u> | <u>1,634,166</u> |
| Total Liabilities | | <u>2,052,657</u> | <u>1,941,698</u> |
| Net Assets/(Liabilities) | | <u>1,389,611</u> | <u>1,272,549</u> |
| Equity | | | |
| Share capital | 14 | 471,458 | 471,458 |
| Retained earnings / (accumulated losses) | 15 | 918,153 | 801,091 |
| Total Equity | | <u>1,389,611</u> | <u>1,272,549</u> |

The accompanying notes form part of these financial statements

Financial statements (continued)

Mount Gambier District Financial Services Limited
ABN 42 096 059 997
Statement of Cash Flows
For the year ended 30 June 2019

| | <u>Notes</u> | 2019 \$ | 2018 \$ |
|---|--------------|-------------------|-------------------|
| Cash Flows From Operating Activities | | | |
| Cash receipts in the course of operations | | 1,050,756 | 964,931 |
| Cash payments in the course of operations | | (738,401) | (745,990) |
| Interest paid | | (235) | (8) |
| Interest received | | 3,850 | 5,734 |
| Income tax paid | | (24,492) | (55,286) |
| Net cash flows from/(used in) operating activities | 16b | <u>291,478</u> | <u>169,381</u> |
| Cash Flows From Investing Activities | | | |
| Payment for intangible assets | | - | - |
| Payments for property, plant and equipment | | - | (1,330) |
| Net cash flows from/(used in) investing activities | | <u>-</u> | <u>(1,330)</u> |
| Cash Flows From Financing Activities | | | |
| Proceeds from issue of shares | | - | - |
| Interest Paid | | (101,803) | (102,707) |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | (115,017) | (125,112) |
| Dividends paid | | (23,574) | (23,574) |
| Net cash flows from/(used in) financing activities | | <u>(240,394)</u> | <u>(251,393)</u> |
| Net increase/(decrease) in cash held | | 51,084 | (83,342) |
| Cash and cash equivalents at start of year | | 178,238 | 261,580 |
| Cash and cash equivalents at end of year | 16a | <u>229,322</u> | <u>178,238</u> |

The accompanying notes form part of these financial statements

Financial statements (continued)

Mount Gambier District Financial Services Limited
ABN 42 096 059 997
Statement of Changes in Equity
for the year ended 30 June 2019

| | <u>Notes</u> | 2019 \$ | 2018 \$ |
|--|--------------|--------------------------|--------------------------|
| Issued Capital | | | |
| Balance at start of year | | 471,458 | 471,458 |
| Issue of share capital | | - | - |
| Share issue costs | | - | - |
| Balance at end of year | | <u>471,458</u> | <u>471,458</u> |
| Retained earnings/ (accumulated losses) | | | |
| Balance at start of year | | 801,091 | 735,935 |
| Net Profit/(loss) for the year | | 140,635 | 88,730 |
| Dividends paid | 23 | <u>(23,573)</u> | <u>(23,574)</u> |
| Balance at end of year | | <u>918,153</u> | <u>801,091</u> |

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2019

1. Summary of significant accounting policies

(a) Basis of preparation

Mount Gambier & Districts Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2019 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing community banking services under a franchise arrangement with Bendigo Bank.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 25 September 2019.

(b) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated based upon the estimated useful life of the asset as follows:

| <i>Class of asset</i> | <i>Depreciation rate</i> |
|-----------------------|--------------------------|
| Buildings | 2.50% |
| Plant & equipment | 10-20% |
| Motor Vehicles | 25% |

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(e) Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. 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 ATO are classified as operating cash flows.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(f) Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

The goodwill from the purchases of the James Street branch of Bendigo and Adelaide Bank, in December 2010, has been initially recorded at cost.

(h) Cash

Cash on hand and in banks are stated at nominal value.

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.

(i) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(m) Provisions

Provisions are recognised when the company has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or 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) Share capital

Issued and paid up capital is 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) Comparative figures

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

(p) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments 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 the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

2. Revenue from ordinary activities

| | 2019 | 2018 |
|---|------------------|------------------|
| | \$ | \$ |
| Operating activities | | |
| - services commissions | 1,459,002 | 1,407,519 |
| - other revenue | 29,513 | 19,747 |
| Total revenue from operating activities | <u>1,488,515</u> | <u>1,427,266</u> |
| Non-operating activities: | | |
| - interest received | 3,850 | 5,734 |
| - other revenue | - | - |
| Total revenue from non-operating activities | <u>3,850</u> | <u>5,734</u> |
| Total revenue from ordinary activities | <u>1,492,365</u> | <u>1,433,000</u> |

Notes to the financial statements (continued)

| 3. Expenses | 2019 | 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| Employee benefits expense | | |
| - wages and salaries | (611,060) | (619,231) |
| - superannuation costs | (61,908) | (62,070) |
| - post employment benefits (other than superannuation) | - | - |
| - workers' compensation costs | (2,960) | (4,560) |
| - other costs | (56,865) | (35,960) |
| | <u>(732,793)</u> | <u>(721,821)</u> |
| Depreciation of non-current assets: | | |
| - plant and equipment | (9,213) | (12,909) |
| - buildings | - | - |
| Amortisation of non-current assets: | | |
| - intangibles | (14,433) | (9,966) |
| | <u>(23,646)</u> | <u>(22,875)</u> |
| Finance Costs: | | |
| - Interest paid | (102,037) | (102,715) |
| Bad debts | (566) | (292) |
| 4. Income Tax Expense | 2019 | 2018 |
| | \$ | \$ |
| The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie tax on profit/(loss) before income tax at 27.5% (2018 - 27.5%) | 53,344 | 33,657 |
| Add tax effect of: | | |
| - Non-deductible expenses | (1,416) | (3,602) |
| - Prior year tax losses not previously brought to account | - | - |
| - Future income tax benefit not brought to account | - | - |
| - Adjustment of prior year tax losses | - | - |
| <i>Current income tax expense</i> | <u>51,928</u> | <u>30,055</u> |
| Origination and reversal of temporary differences | (9,565) | (10,981) |
| <i>Deferred income tax expense</i> | <u>(9,565)</u> | <u>(10,981)</u> |
| Income tax expense/(benefit) | <u>42,363</u> | <u>19,074</u> |
| Tax liabilities | | |
| Current tax payable/(receivable) | <u>28,036</u> | <u>601</u> |
| Deferred income tax asset | | |
| Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable. | <u>9,565</u> | <u>10,981</u> |
| 5. Net profit/(loss) on disposal of non-current assets | 2019 | 2018 |
| | \$ | \$ |
| Profit/(loss) on disposal of non-current assets | (1,577) | - |
| | <u>(1,577)</u> | <u>-</u> |

Notes to the financial statements (continued)

| | | |
|--|------------------|------------------|
| 6. Cash and Cash Equivalents | 2019 | 2018 |
| | \$ | \$ |
| Cash at bank and on hand | <u>229,322</u> | <u>178,238</u> |
| 7. Receivables | 2019 | 2018 |
| | \$ | \$ |
| GST receivable | 10,243 | 6,916 |
| Trade Debtors | <u>133,468</u> | <u>123,371</u> |
| | <u>143,711</u> | <u>130,287</u> |
| 8. Prepayments | 2019 | 2018 |
| | \$ | \$ |
| Prepaid Expense | 16,536 | 13,507 |
| Prepaid Borrowing Costs | - | 25 |
| | <u>16,536</u> | <u>13,532</u> |
| 9. Property, Plant and Equipment | 2019 | 2018 |
| | \$ | \$ |
| <i>Plant and equipment</i> | | |
| At cost | 288,232 | 295,856 |
| Less accumulated depreciation | <u>(185,506)</u> | <u>(182,340)</u> |
| | <u>102,726</u> | <u>113,516</u> |
| Total written down amount | <u>102,726</u> | <u>113,516</u> |
| Movements in carrying amounts | | |
| <i>Plant and equipment</i> | | |
| Carrying amount at beginning of year | 113,516 | 125,095 |
| Additions | - | 1,330 |
| Disposals | (1,577) | - |
| Depreciation expense | <u>(9,213)</u> | <u>(12,909)</u> |
| Carrying amount at end of year | <u>102,726</u> | <u>113,516</u> |
| 10. Intangible Assets | 2019 | 2018 |
| | \$ | \$ |
| <i>Franchise Fee</i> | | |
| At cost | 100,000 | 100,000 |
| Less accumulated amortisation | <u>(100,000)</u> | <u>(100,000)</u> |
| | <u>-</u> | <u>-</u> |
| The company pays a franchise fee every 5 years over 5 yearly instalments | | |
| <i>Goodwill</i> | | |
| At Cost | <u>2,767,693</u> | <u>2,767,693</u> |
| | <u>2,767,693</u> | <u>2,767,693</u> |

Notes to the financial statements (continued)

| 11. Payables | 2019 | 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Trade creditors | 86,321 | 52,471 |
| Franchise Fees Payable | - | - |
| Other creditors and accruals | 13,274 | 16,673 |
| | <u>99,595</u> | <u>69,144</u> |
| NON-CURRENT | | |
| Franchise Fees payable | - | - |
| | <u>-</u> | <u>-</u> |
| (a) Financial Liabilities at amortised cost classified as trade and other payables | | |
| - Total Current | 99,595 | 69,144 |
| - Total Non-Current | - | - |
| | <u>99,595</u> | <u>69,144</u> |
| Financial Liabilities as trade and other payables | <u>99,595</u> | <u>69,144</u> |
| 12. Loans and Borrowings | 2019 | 2018 |
| | \$ | \$ |
| Current | | |
| Bank overdraft | - | - |
| Bank loan - secured | 214,800 | 228,000 |
| | <u>214,800</u> | <u>228,000</u> |
| Non-Current | | |
| Bank loan - secured | 1,502,206 | 1,604,023 |
| | <u>1,717,006</u> | <u>1,832,023</u> |
| 13. Provisions | 2019 | 2018 |
| | \$ | \$ |
| Current | | |
| Unpaid declared dividend | 523 | - |
| Employee benefits | 11,628 | 9,787 |
| | <u>12,151</u> | <u>9,787</u> |
| Non-Current | | |
| Employee benefits | 23,154 | 30,143 |
| | <u>23,154</u> | <u>30,143</u> |
| | <u>35,305</u> | <u>39,930</u> |
| Number of employees at year end | <u>7</u> | <u>8</u> |
| 14. Share Capital | 2019 | 2018 |
| 471,458 Ordinary Shares fully paid of \$1 each | <u>471,458</u> | <u>471,458</u> |
| 15. Retained Earnings / (Accumulated Losses) | 2019 | 2018 |
| | \$ | \$ |
| Balance at the beginning of the financial year | 801,091 | 735,935 |
| Profit/(loss) after income tax | 140,635 | 88,730 |
| Dividends | (23,573) | (23,574) |
| Balance at the end of the financial year | <u>918,153</u> | <u>801,091</u> |

Notes to the financial statements (continued)

16. Statement of Cash Flows

| | 2019 \$ | 2018 \$ |
|---|----------------|----------------|
| (a) Cash and cash equivalents | | |
| Cash assets | 229,322 | 178,238 |
| Bank overdraft | - | - |
| | <u>229,322</u> | <u>178,238</u> |
| (b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities | | |
| Profit / (loss) after income tax | 140,635 | 88,730 |
| Interest relating to financing activities | 101,803 | 102,707 |
| Non cash items | | |
| - Depreciation | 9,213 | 12,909 |
| - Amortisation | - | - |
| - (Profit)/Loss on disposal of non-current assets | 1,577 | - |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (13,424) | 651 |
| - (Increase) decrease in prepayments | (3,004) | (3,043) |
| - (Increase) decrease in deferred taxes payable | 1,416 | 3,602 |
| - Increase (decrease) in trade payables and accruals | 30,451 | 2,155 |
| - Increase (decrease) in income taxes payable | 27,436 | (25,231) |
| - Increase (decrease) in provisions | (4,625) | (13,099) |
| Net cashflows from/(used in) operating activities | <u>291,478</u> | <u>169,381</u> |

17. Auditors' Remuneration

| | 2019 \$ | 2018 \$ |
|--|--------------|--------------|
| Amounts received or due and receivable | | |
| - Audit or review of the financial report of the Company | 6,870 | 6,910 |
| - Other services in relation to the Company | - | - |
| | <u>6,870</u> | <u>6,910</u> |

18. Director and Related Party Disclosures

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

| | |
|---------------------------|---------------------------|
| Ms. Helen Mary Strickland | Ms. Anne Eitzen |
| Mr. Rodney George Summers | Mrs. Karen Lee Olive |
| Mr. Mark Fullford | Ms. Barbara Winifred Munt |
| Mr. Joshua Heaver | Ms. Roberta Coke |
| Mr. Frank Wilcox | Ms. Ute Herrmann-Bullock |
| Ms. Terasa Nearmy | Mr. John Millhouse |

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

Directors shareholdings

| | 2019 | 2018 |
|---------------------------|-------|------|
| Ms. Helen Mary Strickland | - | - |
| Ms. Anne Eitzen | 250 | 250 |
| Mr. Rodney George Summers | - | - |
| Mrs. Karen Lee Olive | 1,000 | - |
| Mr. Mark Fullford | - | - |
| Ms. Barbara Winifred Munt | - | - |
| Mr. Josh Heaver | - | - |
| Ms. Roberta Coke | - | - |
| Mr. Frank Wilcox | - | - |
| Ms. Ute Herrmann-Bullock | - | - |
| Ms. Terasa Nearmy | - | - |
| Mr. John Millhouse | - | - |

There was movement in directors shareholdings during the year, as shown above. Each share held has a paid up value of \$1 and is fully paid.

Notes to the financial statements (continued)

19. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2019/20 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

20. Contingent liabilities and assets

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

21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Mount Gambier, South Australia. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 98% of the revenue (2018: 98%).

22. Corporate Information

Mount Gambier And District Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office and principal place of business is: 16 James Street, Mount Gambier, South Australia, 5290.

| 23. Dividends paid or provided for on ordinary shares | 2019 | 2018 |
|--|----------------|----------------|
| | £ | £ |
| (a) Dividends proposed and recognised as a liability | | |
| Franked dividends - nil cents per share (2018: nil cents) | - | - |
| (b) Dividends paid during the year | | |
| (i) Current year interim | | |
| Franked dividends - nil cents per share (2018: nil cents per share) | - | - |
| (ii) Previous year final | | |
| Franked dividends - 5 cents per share (2018: 5 cents per share) | 23,573 | 23,574 |
| Unfranked dividends - nil cents per share (2018: nil cents per share) | - | - |
| (c) Dividends proposed and not recognised as a liability | | |
| Unfranked dividends - nil cents per share (2018: nil cents per share) | - | - |
| Franked dividends - 5 cents per share (2018: 5 cents per share) | 23,573 | 23,574 |
| (d) Franking credit balance | | |
| The amount of franking credits available for the subsequent financial year are: | | |
| - Franking account balance as at the end of the financial year | 413,418 | 396,706 |
| - Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 28,036 | 1,147 |
| - Franking debits that will arise from the payment of dividends as at the end of the financial year | - | - |
| - Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date | - | - |
| - Franking credits that the entity may be prevented from distributing in the subsequent year | - | - |
| | <u>441,454</u> | <u>397,853</u> |

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).
Dividends proposed will be franked at a rate of 27.5% (2018: 27.5%).

Notes to the financial statements (continued)

| 24. Earnings per share | ¢ | ¢ |
|---|----------------|----------------|
| Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year. | 29.83 | 18.82 |
| Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares). | 29.83 | 18.82 |
| The following reflects the income and share data used in the basic and diluted earnings per share computations: | | |
| Profit/(loss) after income tax expense | <u>140,635</u> | <u>88,730</u> |
| Weighted average number of ordinary shares for basic and diluted earnings per share | <u>471,458</u> | <u>471,458</u> |

| 25. Capital and Leasing Commitments | 2019 | 2018 |
|--|----------------|-------------|
| | \$ | \$ |
| Operating Lease Commitments | | |
| Right-of-use asset | | |
| Current | | |
| Lease of premises at cost | 72,132 | - |
| | <u>72,132</u> | <u>-</u> |
| Non-Current | | |
| Lease of premises at cost | 100,583 | - |
| | <u>100,583</u> | <u>-</u> |
| Lease Liability | | |
| Current | | |
| Lease of premises at cost | 72,132 | - |
| | <u>72,132</u> | <u>-</u> |
| Non-Current | | |
| Lease of premises at cost | 100,583 | - |
| | <u>100,583</u> | <u>-</u> |

The property lease is a non-cancellable lease with a two-year, six month and 22 day term, with rent payable monthly in advance. The current lease expires in November 2021. Rent increase as per the lease by 3% in May 2020. An option exists to renew the lease at the end of the current term for an additional term of five years.

Notes to the financial statements (continued)

26. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

| | <u>Carrying Amount</u> | |
|-------------|------------------------|----------------|
| | <u>2019</u> | <u>2018</u> |
| | <u>\$</u> | <u>\$</u> |
| Cash assets | 200 | 200 |
| Receivables | 143,711 | 130,287 |
| | <u>143,911</u> | <u>130,487</u> |

The Company's exposure to credit risk is limited to Australia by geographic area. The majority balance of receivables is due from Bendigo and Adelaide Bank Ltd.

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

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

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

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

In addition, the Company has an established overdraft facility of \$50,000 with Bendigo and Adelaide Bank Ltd.

Notes to the financial statements (continued)

26. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

| | Carrying amount | Contractual cash flows | 1 year or less | over 1 to 5 years | more than 5 years |
|----------------------|------------------|------------------------|------------------|-------------------|-------------------|
| 30 June 2019 | | | | | |
| Payables | 99,595 | (99,595) | (99,595) | - | - |
| Loans and borrowings | <u>1,717,006</u> | <u>(1,717,006)</u> | <u>(214,800)</u> | <u>(859,200)</u> | <u>(643,006)</u> |
| | <u>1,816,601</u> | <u>(1,816,601)</u> | <u>(314,395)</u> | <u>(859,200)</u> | <u>(643,006)</u> |
| 30 June 2018 | | | | | |
| Payables | 69,144 | (69,144) | (69,144) | - | - |
| Loans and borrowings | <u>1,832,023</u> | <u>(1,832,023)</u> | <u>(228,000)</u> | <u>(912,000)</u> | <u>(692,023)</u> |
| | <u>1,901,167</u> | <u>(1,901,167)</u> | <u>(297,144)</u> | <u>(912,000)</u> | <u>(692,023)</u> |

(c) Market risk

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

Interest Rate Risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

| | Carrying Amount | |
|----------------------------------|-----------------|-----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Fixed rate instruments | | |
| Financial assets | 150,000 | 200,328 |
| Financial liabilities | <u>(366)</u> | <u>(1,253)</u> |
| | <u>149,634</u> | <u>199,075</u> |
| Variable rate instruments | | |
| Financial assets | 78,638 | - |
| Financial liabilities | <u>-</u> | <u>(22,290)</u> |
| | <u>78,638</u> | <u>(22,290)</u> |

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2019 there was also no impact. As at both dates this assumes all other variables remain constant.

Notes to the financial statements (continued)

26. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

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

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

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the 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; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Directors' declaration

Mount Gambier District Financial Services Ltd
ABN 42 096 059 997
Directors' Declaration

In accordance with a resolution of the directors of Mount Gambier and District Financial Services Limited, I 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 their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2019



Helen Strickland, Director

Signed at Mount Gambier on the 25th of September 2019.

Detailed Statement of Comprehensive Income

For the Year Ended 30 June 2019

| | 2019 \$ | 2018 \$ | 2017 \$ |
|--------------------------------|------------|------------|------------|
| INCOME | | | |
| Commission Received | 1,444,984 | 1,407,519 | 1,428,386 |
| OTHER INCOME | | | |
| Interest Received | 3,850 | 5,734 | 4,210 |
| Interest Rebate | - | - | - |
| Rent Received | - | - | - |
| Profit (Loss) on Sale of Asset | (1,577) | - | - |
| Sundry | 43,531 | 19,747 | 16,790 |
| | 1,490,788 | 1,433,000 | 1,449,386 |
| EXPENDITURE | | | |
| Accountancy Fees | 16,700 | 17,375 | 16,500 |
| Annual Leave Accrual | 30,644 | 21,189 | 32,218 |
| ASIC Compliance Costs | 1,370 | 1,201 | 1,176 |
| Advertising & Promotion | 44,422 | 47,398 | 33,577 |
| Agent Commission | 1,157 | 1,145 | 1,235 |
| Amortisation | 14,433 | 9,966 | 9,591 |
| ATM Fees | 20,805 | 29,695 | 28,490 |
| Auditors Remuneration | 6,870 | 6,910 | 7,170 |
| Bank Charges | 383 | 382 | 262 |
| Bad Debts Written Off | 566 | 292 | (1,968) |
| Board Expenses | 6,803 | 8,630 | 6,408 |
| Borrowing Costs | 25 | 60 | 60 |
| Cash Delivery | 2,561 | 3,404 | 2,916 |
| Cash Management | 814 | 883 | 836 |
| Cleaning & Gardening | 5,805 | 10,634 | 10,178 |
| Community Grants | 76,915 | 60,332 | 60,421 |
| Computer Expenses | 33,989 | 37,346 | 33,314 |
| Consultancy | - | 5,062 | - |
| Depreciation | 9,213 | 12,909 | 16,576 |
| Employee's Amenities | 485 | 821 | 1,091 |
| Minor Assets | 1,625 | 25 | 556 |
| Freight & Cartage | 10,775 | 11,391 | 19,814 |
| Fringe Benefit Tax | 4,536 | 6,562 | 7,240 |
| Insurance | 11,912 | 11,385 | 10,547 |
| Interest Paid | 102,037 | 102,715 | 117,982 |
| Lease / Rent Office Equipment | - | - | - |
| Legal Costs | - | - | 4,218 |
| Light & Power | 17,361 | 14,570 | 12,453 |
| Long Service Leave Provision | (1,042) | 4,560 | 21,119 |
| Marketing | 4,961 | 18,128 | 17,898 |
| Motor Vehicle Costs | 2,534 | 2,947 | 2,419 |
| Other Employer Expenses | 8,395 | 6,990 | 5,313 |
| Payroll Services | 1,840 | 1,730 | 1,710 |
| Payroll Tax | 18,538 | 17,494 | 16,716 |
| Postage | 2,356 | 2,260 | 3,075 |
| Printing & Stationery | 13,229 | 13,005 | 10,953 |
| Procedural Errors | (245) | (257) | (72) |

Detailed statement of comprehensive income (continued)

Detailed Statement of Comprehensive Income (continued)

| | 2019 | 2018 | 2017 |
|------------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Rates & Taxes | 8,681 | 8,515 | 8,404 |
| Rent | 70,381 | 68,331 | 74,361 |
| Repairs & Maintenance | 3,877 | 2,662 | 2,329 |
| Salaries & Wages | 635,859 | 632,422 | 576,607 |
| Search Fees | 5,429 | 6,340 | 3,953 |
| Security Costs | 7,377 | 3,688 | 1,782 |
| Share Registry | 1,864 | 3,617 | 3,757 |
| Sponsorship | - | - | - |
| Staff Recruitment & Training | 11,591 | 11,023 | 5,943 |
| Staff Uniforms | 4,047 | 4,833 | 1,563 |
| Subscriptions | 170 | 150 | - |
| Sundry Expenses | 1,562 | 2,301 | 2,383 |
| Superannuation Contributions | 61,908 | 62,070 | 61,811 |
| Telephone | 7,631 | 9,353 | 8,882 |
| Trailer Fees Expense | - | - | - |
| Travelling Expenses | 700 | 3,344 | 419 |
| Workcover | 2,960 | 2,825 | 2,688 |
| | 1,296,809 | 1,310,613 | 1,266,874 |
| NET PROFIT / (LOSS) | 193,979 | 122,387 | 182,512 |

Auditor's independence declaration

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER
SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF
MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LIMITED**

I declare that, to the best of my knowledge and beliefs, during the year ended 30 June 2019 there have been:

- (i) No contraventions of the auditor independence requirements as set out in 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.

Mark Stephen Edwards
Chartered Accountant

172 Smith Street
Naracoorte, SA, 5271



Registered Auditor: Mark Edwards
Registered Auditor No. 289565

26 September 2019

Independent audit report

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INDEPENDENT AUDITOR'S REPORT

To the Members of Mount Gambier & District Financial Services Limited Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mount Gambier & District Financial Services Limited ('the Company') which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Mount Gambier & District Financial Services Limited, is in accordance with the Corporations Act 2001, including:

- (a) 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 then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

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

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

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

Those charged with governance are responsible for the other information. The other information comprises the information included in the Annual Report for the respective year, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent audit report (continued)

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INDEPENDENT AUDITOR'S REPORT

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent audit report (continued)

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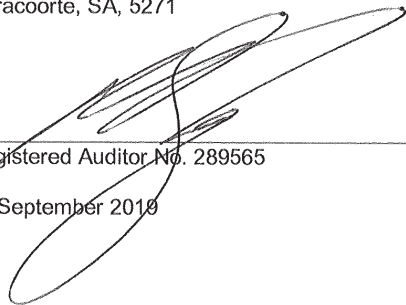
INDEPENDENT AUDITOR'S REPORT

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Mark Stephen Edwards
Chartered Accountant
172 Smith Street
Naracoorte, SA, 5271



Registered Auditor No. 289565

26 September 2010

Mount Gambier & District Community Bank Branch
16 James Street, Mount Gambier SA 5290
Phone: (08) 8726 3200

Franchisee: Mount Gambier & District Financial Services Limited
16 James Street, Mount Gambier SA 5290
Phone: (08) 8726 3200
ABN: 42 096 059 997

www.bendigobank.com.au/mtgambier
www.facebook.com/MountGambierDistrictCommunityBankBranch

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