Annual Report 2019

Mt Eliza Community Enterprise Limited

ABN 18 139 499 326

Mt Eliza Community Bank Branch

Mt Eliza Community Bank Branch

MT ELIZA
Community Pitch
2018

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Retirement living and aged care *at its best!*

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Contents

Chairman's report 2

Branch Manager's report 3

Directors' report 4

Auditor's independence declaration 8

Financial statements 9

Notes to the financial statements 13

Directors' declaration 34

Independent audit report 35

Chairman's report

For year ending 30 June 2019

It's my pleasure to present this Annual Report to shareholders of Mt Eliza Community Enterprise Ltd for the 2018–19 financial year.

The company finished the year with another strong result, posting an operating profit of $302,823 at 30 June 2018. That translates into an after-tax profit of $215,427. The company has continued to see an improved balance sheet position. These results built on a strong first half performance.

In light of these results the board and I are proud to announce that we will once again be declaring a dividend of 5-cents per share (unfranked) to be paid to our shareholders in December 2019. This is the second year we have been in a position to pay a dividend, and it is a testament to the consistent hard work by our board, Branch Manager and branch team.

My thanks go to our board of volunteer directors. These nine generous individuals bring considerable expertise, wisdom and networks to our organisation. They put in countless hours of volunteer work for this company and the Mt Eliza community.

During the year we welcomed Greg Russo to the board. Greg is a principal at a local law firm and has worked in the area since 1994. He lives in Mt Eliza with his wife and son and is committed to community development and growth. I know he will make an outstanding contribution.

I extend my sincere thanks to our Branch Manager, Fiona Parsons. Fiona is having a huge impact on our business and is a major driver of our success. She is well-supported by our Customer Relationship Managers, Andrew Whalen and Louise Marshall. We are delighted to have them both on the team. Karen and Bec also joined us during the year. Together with Melissa, they are the public face of our business and the front line of our success. Our company's success reflects the dynamic branch environment and the great work our staff are doing for our customers every day.

At the end of the year our company had returned $210,000 to our community.

In November 2018 we held our first Mt Eliza Community Pitch—an event which brought together generous local businesses to support our local community organisations. We pooled our sponsorship funds with ten other local business (see the inside front cover) and handed-out $24,000 on the night. This annual event is proving to be a great success in highlighting our sponsorship contributions and it helps us to build and expand our local our networks.

To the community groups we supported this year, I thank you for being a part of the Community Bank success story. Thank you for referring your members and colleagues. Keep the referrals coming and we will respond by rewarding your organisation with increased support as our business grows. We are in this together.

During the year we were reminded of the impact of our work. We provided a defib machine to the Mt Eliza Bowling Club in February 2019. Days after installing the unit it was put to use and helped to revive a visitor at the club. This highlighted for us that our efforts have a big impact—and that's something we are very proud of.

As the company grows we will be well-placed to continue to re-invest in the community. Front of mind for us are the needs and aspirations of our community. We will continue to liaise with our stakeholders on what needs to be done locally: be it infrastructure, social, sporting or youth services. As our region faces the dual pressures of population growth and an ageing population, we plan to respond to these challenges.

Bendigo Bank's latest marketing is focusing us on the bank's size and capability—something many people underestimate. Together with the fall-out from the Hayne Royal Commission, there's plenty of opportunities for us.

I encourage you to refer your family and colleagues to our Mt Eliza Community Bank Branch. Recommend us and help us spread the word that local banking keeps our communities strong and financially resilient.

Our growth and prosperity flows directly through to the Mt Eliza community. You will be making a very meaningful contribution simply by choosing Bendigo Bank—Australia's fifth largest retail bank and the bank of choice for over 1.7 million Australians.

I thank you for your support and welcome feedback to reagan@mece.com.au.

Reagan H. Barry
Chairman

Branch Manager's report

For year ending 30 June 2019

A real highlight of the year has been our steady and continued growth in both lending and deposits. We've grown our branch footings by over $11 million to approximately $145 million in business under management. In a highly competitive banking environment we grew our customer numbers by nine per cent and increased products per customer. We had some of the best results of all Bendigo Bank's branches around the country—which we are really proud of.

Marnie Baker, Managing Director of Bendigo Adelaide Bank has taken steps to reshape the business for the future; and to continue to provide the best outcomes for our customers. There's a focus on simplifying the way we do business, evolving at pace and being adaptive. The story we continue to tell of our community contributions is supported by our dedication to customer experience, training for our team, and a focus on sustainable growth. Competition in the banking sector will only get fiercer. But we have something people are increasingly looking for—a genuine focus on our customers and community.

The banking sector is poised to see the entry of more financial players into the market in coming years. But I firmly believe the way to success is to continue to tell our story and make real, personal and human connections with all stakeholders in our community. We will continue to encourage them to share our vision of a stronger community that does business together.

My gratitude goes to the branch team: Andrew, Louise, Melissa, Karen and Bec. I thank them for their dedication to outstanding customer service and hard work. They are an incredible support to me.

I also extend my thanks to Reagan, James, Carolyn and the board. Their passion and hands-on involvement to drive the success of the business is inspiring. As volunteers, they work tirelessly for our company and the Mt Eliza community.

Thanks also to Bendigo Bank's state and regional teams who have supported us this year. I wish our Regional Manager Simon Sponza all the best as he moves on to a new role, and we welcome Kristy Marshall who takes over the Regional Manager duties. I look forward to working with her and the many others at the bank who help us do our job every day.

When you're a big bank, you have big responsibilities. The first is to do the right thing. It's something Bendigo Bank has always been good at. There's at least four big reasons for local people to consider Bendigo Bank:

- it is Australia's fifth biggest retail bank with over 1.7 million customers
- it has competitive products and innovative service
- it's branches have given $200 million (and counting) back to Australian communities
- it is consistently rated highly for trust and satisfaction.

As at 30 June 2019 the Mt Eliza branch had returned a total of $210,000 to the community through grants and sponsorships. We held our first Mt Eliza Community Pitch event—which was an incredible evening of community goodwill and generosity. Thanks to the local businesses and organisations who joined us as pitch partners (they're listed on inside front cover). On the night we distributed funding to:

- Baden Powell Cricket Club
- Mornington Life Saving Club
- Mt Eliza Neighbourhood House
- Mt Eliza Men's Shed
- Mt Eliza Girl Guides
- Peninsula Transport Assist
- Peninsula Home Hospice
- Mt Eliza Junior Football Club
- Mt Eliza Football–Netball Club
- Peninsula Arts Society
- Mt Eliza North Primary School
- Mt Eliza Secondary College.

The community contribution Mt Eliza Community Bank Branch is making is a great reason for you to bring your banking and insurance business over to us. Bendigo Bank is simply not one of the big four. The Mt Eliza team and I would love to show you how easy it can be to change to a bank you can feel better about.

Fiona Parsons
Branch Manager

Directors' report

For year ending 30 June 2019

The 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:

Reagan Harrison Barry

Director/Chairman

Occupation: Commercial Operations Manager

Reagan holds a Masters of Business (Banking and Finance), a Bachelor of Commerce (Accounting) and is a member of the Australian Institute of Company Directors. Professionally, he works in the corporate sector as a Commercial Operations Manager, with commercial responsibility for a global sales division in the telecommunications industry. Reagan is Mt Eliza born and bred and has actively been involved in a variety of organisations. He was elected to board in June 2013, elected Deputy Chair in November 2013 and Chair in April 2014. He is passionate about the Mt Eliza community and keen to contribute to its growth and development.

Interest in shares: 1,000

James Craig Batty

Director/Deputy Chairman
Chair, Engagement & Development Committee

Occupation: Director, Batty Property

James was born and raised in Mt Eliza. He was educated at The Peninsula School and is father of three sons. James launched Batty Property to meet the demand for his unique personalised service in professionally managed property investments. With a desire to achieve outstanding levels of service and excellence, and with skills acquired from working with some of the peninsula's best agents, James has built a unique real estate sales and management company with an unparalleled commitment to client service. James is passionate about the local community and the Mt Eliza Community Bank Branch meeting its objectives.

Interest in shares: 1,000

Robert Charles Gauci

Director/Treasurer
Chair, Audit & Risk Committee

Occupation: Director, Port Phillip Group

Rob holds a Bachelor of Business (Accounting), is a Chartered Accountant and a Registered Tax Agent. He has over 27 years experience in business services. Rob is former treasurer and a life member of the Frankston Life Saving Club. Having grown up in Mt Eliza, Rob is passionate about helping the local community prosper and believes the Mt Eliza Community Bank Branch is a great vehicle for helping to achieve this.

Interest in shares: 1,000

Alexandra Godfrey

Director

Occupation: Director,
Fusebox Design/Fusebox Communications

Alex is a communications and design professional with over 25 years experience. She specialises in producing branding and corporate identity, publications, marketing and advertising products for clients in a variety of sectors. She is a digital and online communications specialist who is inspired by the power of technology to educate, motivate and transform. Alex believes that we all have a responsibility to contribute to the health and vitality of the community in which we live. She has lived in Mt Eliza since 2006 and supports organisations involved in human rights advocacy, animal welfare and Indigenous education. She represents us on the committee of the Mt Eliza Chamber of Commerce and the committee of the Mt Eliza Men's Shed.

Interest in shares: 1,000

Joanne Horton

Director
Chair, Human Resources Committee

Occupation: Community Development, Bendigo Bank

Jo Horton has been on our board since April 2015. She is a human resources professional who helps us manage our people and culture. Jo liaises with Bendigo Bank on a range of HR and compliance matters for us. Having recently accepted a senior position on Bendigo Bank's Community Development team, Jo will now be helping Bendigo Community Bank Branches around the country to return their profits to their local communities.

Directors (continued)

Her background includes 20 years in the corporate sector, in both commercial and senior learning and development roles. She has also consulted in her own business, delivering leadership and team development solutions. Her passion lies in enabling people and organisations to be the best they can be, with a clear focus on what's possible. Her focus for our branch is on customer service excellence and supporting the growth of our community. A Mt Eliza local since the early 2000s, Jo enjoys village life, living locally with her husband and Labrador.

Interest in shares: nil

Peter John Hutchinson

Director

Occupation: Company Director, Master Capital Group

Peter is an experienced business management executive. His company raises capital, plans and develops new projects in the construction industry. He has strong skills as a market analyst, team leader and manager of stakeholder relations. Peter has diplomas in business management and human resource management. He is an active supporter of a range of sport and health services organisations. Peter's passion is helping other people to build their future.

Interest in shares: 7,000

Carolyn Jean Parker

Director/Company Secretary
Chair, Governance Committee

Occupation: Company Director

Carolyn is an independent Company Director and was previously Managing Director of the privately-owned Kador Group for 25 years until her retirement from the role in 2013. She holds a Bachelor of Business and Honorary Doctorate from RMIT, is a member of the Australian Institute of Company Directors, a member of the CPA Australia and Fellow of the Financial Securities Institute of Australia. She is a Director of Connecting Skills Australia. Carolyn was appointed as Company Secretary of Mt Eliza Community Enterprise Limited in June 2014. She and her husband have been residents of Mt Eliza for over 25 years. Her community interests revolve around animal welfare, environmental sustainability and diversity

Interest in shares: 2,000;

Gregory John Russo

Director (Appointed February 2019)

Greg holds a Bachelor of Science (Pure Mathematics) and a Bachelor of Law. He is a member of the Law Institute of Victoria, and a Principal of the firm Featherbys Barristers and Solicitors in Rosebud, and is a Law Institute of Victoria Accredited Specialist in Wills and Estates. Greg was born in Sydney and relocated to Melbourne as a teenager. He has lived and worked on the Mornington Peninsula and Frankston since 1994. He currently lives in Mt Eliza with his wife and son. Greg is committed to community development and has been involved, in a variety of capacities, with a number of professional and community organisations since 1994. He is passionate about the Mt Eliza community and keen to contribute to its growth and development.

Interest in shares: nil

Matthew Keith Wilson

Director

Occupation: Senior Private Wealth Adviser
and Company Director

Matthew is an experienced investment adviser and stockbroker at one of Australia's leading Investment and wealth management firms. He holds a number of finance-related degrees, including a Bachelor of Business (Law) from Monash University as well as a Graduate Diploma of Wealth Management from Deakin University. Having previously worked for Morgan Stanley and Citibank, he helps his private clients with the effective and efficient management of their financial investments and affairs. Matthew and his wife both grew up in the Mt Eliza area and they have two young sons. Matthew is active in the community and is delighted to contribute his skills, knowledge and experience to Mt Eliza Community Enterprise Limited.

Interest in shares: 7,000

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 Carolyn Jean Parker. Carolyn was appointed to the position on 28 April 2014. She has extensive experience as an independent director and committee member in the private, government and not for profit sectors. She holds a Bachelor of Business and Honorary Doctorate from RMIT, is a member of the Australian Institute of Company Directors, a member of the CPA Australia and Fellow of the Financial Securities Institute of Australia. She is a Director of Connecting Skills Australia. Carolyn was appointed as Company Secretary of Mt Eliza Community Enterprise Limited in June 2014.

Principal activities

The principal activities of the company during the financial year were facilitating Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited. There have been no significant changes in the nature of these activities during the year.

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
215,427	153,683

Dividends

Dividends paid in the year

Cents	Year ended 30 June 2019 $
5	40,355

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/remuneration report

No Director receives remuneration for services as a company director or committee member. There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity. This is wholly a board role (who act in a voluntary capacity). There are therefore no specified executives whose remuneration requires disclosure.

The board's policy in respect of the Branch Manager is to maintain remuneration at parity within the Community Bank network and local market rates for comparable roles.

Mt Eliza Community Enterprise Limited has accepted 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 Mt Eliza Community Bank Branch. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to use the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the branch 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.

			Committee meetings									
	Board meetings		Audit & Risk		Governance		Human Resources		Business Growth		Engagement & Development	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Reagan Barry	10	10	2	2	2	2						
James Batty	10	9					3	3	2	2	4	4
Rob Gauci	10	9	2	2								
Alex Godfrey	10	9							2	2	4	4
Jo Horton	10	9			2	2	3	3				
Peter Hutchinson	10	10							2	2	4	4
Carolyn Parker	10	10	2	2	2	2						
Gregory Russo*	5	4										
Matthew Wilson	10	10	2	2								

* Appointed 25 February 2019

Proceedings on behalf of the company

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

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

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year are noted above. Committee and board members also met on an informal basis regularly throughout the year.

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 White of Ashfords Audit and Assurance) for audit and non audit services provided during the year are set out in the notes to the accounts.

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

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

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

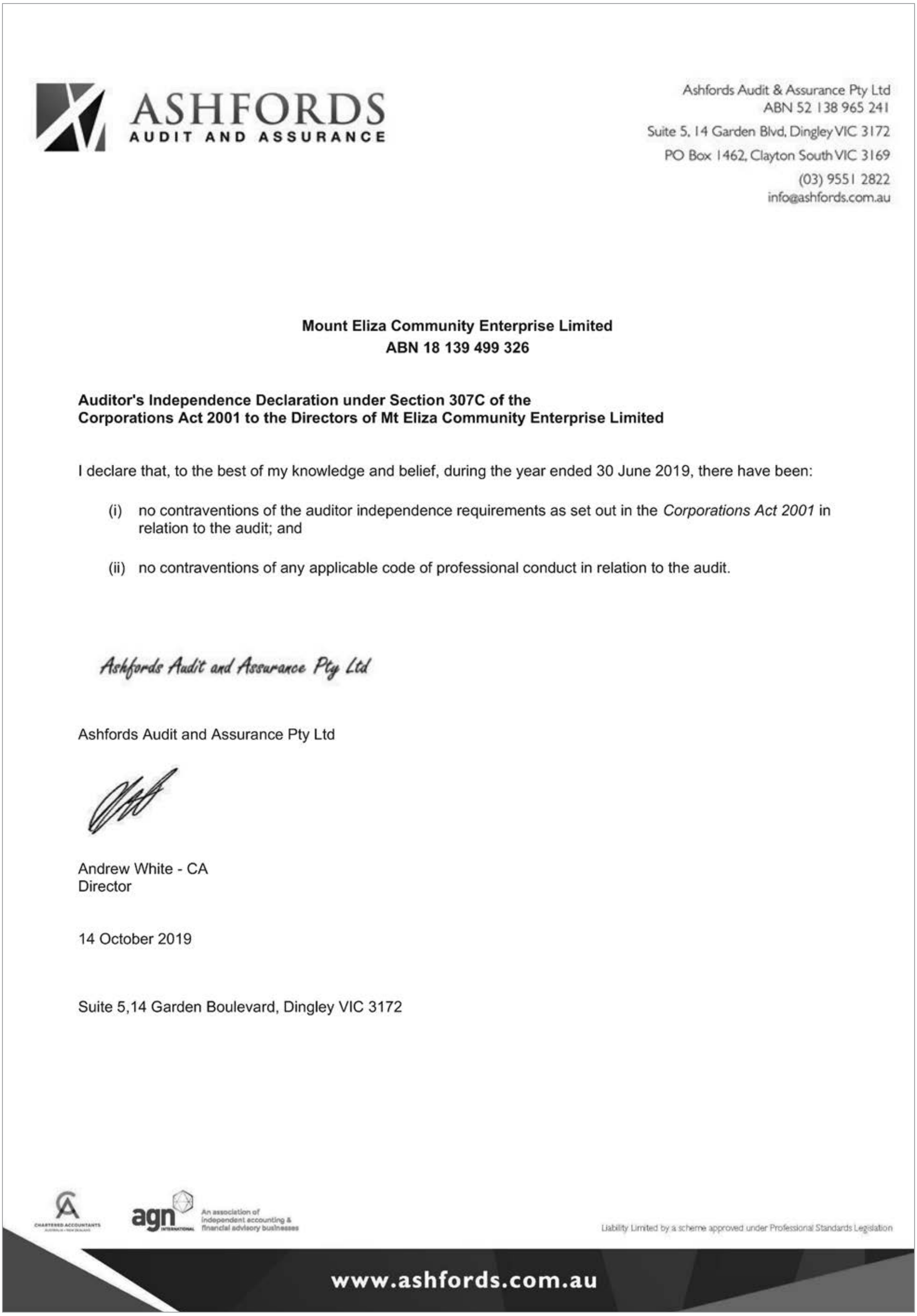
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of the board of directors at Mt Eliza, Victoria on 30 September 2019.

Reagan H. Barry
Chairman

Auditor’s independence declaration



ASHFORDS
AUDIT AND ASSURANCE

Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Suite 5, 14 Garden Blvd, Dingley VIC 3172
PO Box 1462, Clayton South VIC 3169
(03) 9551 2822
info@ashfords.com.au

Mount Eliza Community Enterprise Limited
ABN 18 139 499 326

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Mt Eliza Community Enterprise Limited

I declare that, to the best of my knowledge and belief, 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.

Ashfords Audit and Assurance Pty Ltd

Ashfords Audit and Assurance Pty Ltd

Andrew White - CA
Director

14 October 2019

Suite 5,14 Garden Boulevard, Dingley VIC 3172

Financial statements

Statement of Profit or Loss and Other Comprehensive Income
For year ending 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	1,017,021	857,759
Employee benefits expense		(384,878)	(337,525)
Charitable donations, sponsorship, advertising and promotion		(61,559)	(25,182)
Occupancy and associated costs		(132,039)	(131,544)
Systems costs		(33,844)	(32,087)
Depreciation and amortisation expense	5	(18,191)	(18,984)
Finance costs	5	–	(72)
General administration expenses		(83,687)	(90,269)
Profit before income tax expense		**302,823**	**222,096**
Income tax expense	6	(87,396)	(68,413)
Profit after income tax expense		**215,427**	**153,683**

Total comprehensive income for the year attributable to the ordinary shareholders of the company:		¢	¢
Earnings per share			
Basic earnings per share	22	26.69	19.04

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	523,932	284,903
Prepayments	8	5,934	5,358
Trade and other receivables	8	89,443	59,478
Total current assets		**619,309**	**349,739**
Non-current assets			
Trade and other receivables	8	7,515	7,515
Property, plant and equipment	9	22,110	26,463
Intangible assets	10	24,935	38,492
Deferred tax asset	11	3,869	91,265
Total non-current assets		**58,429**	**163,735**
Total assets		**667,737**	**513,474**
LIABILITIES			
Current liabilities			
Trade and other payables	12	66,232	79,861
Provisions	14	9,592	11,558
Total current liabilities		**75,824**	**91,419**
Non-current liabilities			
Provisions	14	11,646	6,859
Total current liabilities		**11,646**	**6,859**
Total liabilities		**87,469**	**98,278**
Net assets		**590,268**	**415,196**
Equity			
Issued capital	15	774,249	774,249
Accumulated losses	16	(143,626)	(359,053)
Dividend paid	21	(40,355)	–
Total equity		**590,268**	**415,196**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017	774,249	(512,736)	261,513
Total comprehensive income for the year	–	153,683	153,683
Transactions with owners in their capacity as owners:			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	–	–
Balance at 30 June 2018	**774,249**	**(359,053)**	**415,196**
Balance at 1 July 2018	774,249	(359,053)	415,196
Total comprehensive income for the year	–	215,427	215,427
Transactions with owners in their capacity as owners:			
Shares issued during period	–	–	–
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	(40,355)	(40,355)
Balance at 30 June 2019	**774,249**	**(183,981)**	**590,268**

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		979,619	852,657
Payments to suppliers and employees		(713,466)	(615,463)
Interest received		7,438	1,597
Interest paid		–	(72)
Income taxes paid		–	–
Net cash provided by operating activities	17	**273,591**	**238,719**
Cash flows from investing activities			
Payment for property, plant and equipment		(282)	(1,835)
Net cash used in investing activities		**(282)**	**(1,835)**
Cash flows from financing activities			
Dividends paid		(34,280)	–
Net cash used in financing activities		**(34,280)**	**–**
Net increase in cash held		**239,029**	**236,884**
Cash and cash equivalents at the beginning of the financial year		284,903	48,019
Cash and cash equivalents at the end of the financial year	7a	**523,932**	**284,903**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 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 a number of amendments to accounting standards 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 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 accounting standard is not expected to have a material impact on the financial statements.

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.

Note 1. Summary of significant accounting policies (continued)
a) Basis of preparation (continued)

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.

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 leasees. A leasee 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, 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 lease guidance, including AASB 117 Leases and related interpretations. This 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 reinstatement 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's office equipment. 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 leases on a straight-line basis over the term of the lease.

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 Mt Eliza, 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.

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

Note 1. Summary of significant accounting policies (continued)
a) Basis of preparation (continued)

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:

- advice and assistance 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 is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

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

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

Core banking products

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

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.

Note 1. Summary of significant accounting policies (continued)
b) Revenue (continued)

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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.

Note 1. Summary of significant accounting policies (continued)

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 years
– plant and equipment	2.5–4.0 years
– furniture and fittings	4–40 years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

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

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

Expected credit losses are the probability-weighted estimate of credit loss 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 at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

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

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (i.e. 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.

Note 1. Summary of significant accounting policies (continued)

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

i) Market risk

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

ii) Price risk

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

iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

Note 2. Financial risk management (continued)

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, subject to trading results, so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Note 3. Critical accounting estimates and judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

	2019 $	2018 $

Note 4. Revenue from ordinary activities

Operating activities:		
– gross margin	813,082	691,681
– services commissions	92,355	88,846
– market development fund	33,824	25,000
– other revenue	69,506	50,703
Total revenue from operating activities	**1,008,767**	**856,230**
Non-operating activities:		
– interest received	8,254	1,529
Total revenue from non-operating activities	**8,254**	**1,529**
Total revenues from ordinary activities	**1,017,021**	**857,759**

Note 5. Expenses

Depreciation of non-current assets:		
– plant and equipment	3,412	3,900
– leasehold improvements	1,223	1,528
Amortisation of non-current assets:		
– franchise agreement	13,556	13,556
– establishment fee	–	–
	18,191	**18,984**
Finance costs:		
– interest paid	–	72
Bad debts	531	125

Note 6. Income tax expense

	2019 $	2018 $
The components of tax expense comprise:		
– Movement in deferred tax	87,396	68,413
	87,396	**68,413**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit before tax	302,823	222,096
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	83,276	61,076
Add tax effect of:		
– non-deductible expenses	3,728	3,728
– prior year losses brought to account	–	–
– timing difference expenses	392	3,609
	87,396	**68,413**
Movement in deferred tax		
Timing difference	392	3,609
Non deductible expenses	3,728	3,728
Tax losses utilised	83,276	61,076
Tax losses brought to account	–	–
	87,396	**68,413**

Note 7. Cash and cash equivalents

Cash at bank and on hand	52,168	39,386
Term deposits	471,764	245,517
Cash at bank and on hand	**523,932**	**284,903**

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	52,168	39,386
Term deposits	471,764	245,517
	523,932	**284,903**

	2019 $	2018 $

Note 8. Trade and other receivables

Current:		
Trade receivables	87,811	58,663
Prepayments	5,934	5,358
Other receivables and accruals	1,632	815
	95,377	**64,836**
Non-Current:		
Trade receivables	7,515	7,515
	102,892	**72,351**

Note 9. Property, plant and equipment

Leasehold Improvements		
At cost	34,283	34,283
Less accumulated depreciation	(29,391)	(28,168)
	4,892	**6,115**
Plant and equipment		
At cost	81,840	81,558
Less accumulated depreciation	(64,622)	(61,210)
	17,218	**20,348**
Total written down amount	**22,110**	**26,463**
Movements in carrying amounts:		
Leasehold Improvements		
Carrying amount at beginning	6,115	7,643
Additions	–	–
Disposals	–	–
Less: depreciation expense	(1,223)	(1,528)
Carrying amount at end	**4,892**	**6,115**
Plant and equipment		
Carrying amount at beginning	20,348	22,413
Additions	282	1,835
Disposals	–	–
Less: depreciation expense	(3,412)	(3,900)
Carrying amount at end	**17,218**	**20,348**
Total written down amount	**22,110**	**26,463**

	2019 $	2018 $

Note 10. Intangible assets

Franchise fee		
At cost	77,781	77,781
Less: accumulated amortisation	(61,966)	(48,409)
	15,815	**29,372**
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	–	–
Redomicile fees		
At cost	9,120	9,120
Total written down amount	**24,935**	**38,492**

Note 11. Tax

Current:		
Income tax payable	–	–
Non-current:		
Deferred tax assets		
– tax losses brought to account	–	–
Net deferred tax asset	**3,869**	**91,265**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(87,396)**	**(68,413)**

Note 12. Trade and other payables

Current:		
Trade creditors	(7,497)	(5,369)
Other creditors and accruals	(58,735)	(74,492)
	(66,232)	**(79,861)**

Note 13. Borrowings

	Note	2019 $	2018 $
Current:			
Bank overdraft	20	–	–
		–	–
The bank overdraft was paid out and the limit reduced to nil as at 30 May 2018.			

Note 14. Provisions

	Note	2019 $	2018 $
Current:			
Provision for annual leave		(9,592)	(11,558)
		(9,592)	**(11,558)**
Non-Current:			
Provision for long service leave		(11,646)	(6,859)
		(11,646)	**(6,859)**

Note 15. Contributed equity

	Note	2019 $	2018 $
807,110 ordinary shares fully paid (2018: 807,110)		807,110	807,110
Less: equity raising expenses		(32,861)	(32,861)
		774,249	**774,249**

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.

Note 15. Contributed equity (continued)

b) Dividends

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

c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares. Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the '10% limit').
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the 'close connection test').
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the 'base number test'). The base number is 172. As at the date of this report, the company had 172 shareholders.

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

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

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

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

	2019 $	2018 $

Note 16. Accumulated losses

Balance at the beginning of the financial year	(359,053)	(512,736)
Net profit from ordinary activities after income tax	215,427	153,683
Balance at the end of the financial year	**(143,626)**	**(359,053)**

Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	215,427	153,683
Non cash items:		
– depreciation	4,635	5,428
– amortisation	13,556	13,556
Changes in assets and liabilities:		
– (increase)/decrease in receivables	(29,148)	(9,751)
– increase/(decrease) in other assets	(1,394)	–
– (increase)/decrease in deferred tax assets	87,396	68,413
– increase/(decrease) in payables	(19,703)	(4,390)
– increase/(decrease) in provisions	2,821	11,780
Net cash flows provided by operating activities	**273,591**	**238,719**

Note 18. Leases

Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments:		
– not later than 12 months	77,951	74,953
– between 12 months and 5 years	26,843	104,794
– greater than 5 years	–	–
	104,794	**179,747**
The operating lease is a non-cancellable lease with a four year and six month term which finishes at the end of October 2020. Rent is payable monthly in advance.		

	2019 $	2018 $

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
– audit and review services	4,720	4,520
	4,720	**4,520**

Note 20. Director and related party disclosures

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

Directors shareholdings		
Reagan Harrison Barry	1,000	1,000
James Craig Batty	1,000	1,000
Robert Charles Gauci	1,000	1,000
Alexandra Godfrey	1,000	1,000
Jo Horton	–	–
Peter Hutchinson	7,000	7,000
Carolyn Parker	2,000	2,000
Matthew Wilson	7,000	–
Gregory Russo (appointed 25 February 2019)	–	–

Note 21. Dividends provided for or paid

Dividends paid during the year		
Current year dividend		
Unfranked	40,355	–

Note 22. 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 23. Earnings per share

a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	215,427	153,683
	Number	**Number**
b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	807,110	807,110

Note 24. Segment reporting

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

Note 25. 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 26. 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 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	**Principal place of business**
Shop 13 Ritchies Village 89 Mt Eliza Way Mt Eliza VIC 3930	Shop 13 Ritchies Village 89 Mt Eliza Way Mt Eliza VIC 3930

Note 27. Financial instruments

Financial instrument composition and maturity analysis

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

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2019** $	**2018** $	**2019** $	**2018** $	**2019** $	**2018** $	**2019** $	**2018** $	**2019** $	**2018** $	**2019** $	**2018** %
Financial assets												
Cash and cash equivalents	52,091	39,361	471,764	245,517	–	–	–	–	77	25	1.99	0.89
Receivables	–	–	–	–	–	–	–	–	87,811	58,663	–	–
Financial liabilities												
Interest bearing liabilities	–	–	–	–	–	–	–	–	–	–	–	–
Payables	–	–	–	–	–	–	–	–	7,497	5,369	–	–

Note 27. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019 **$**	**2018** **$**
Change in profit/(loss)		
Increase in interest rate by 1%	5,239	2,849
Decrease in interest rate by 1%	(5,239)	(2,849)
Change in equity		
Increase in interest rate by 1%	5,239	2,849
Decrease in interest rate by 1%	(5,239)	(2,849)

Directors' declaration

In accordance with a resolution of the directors of Mt Eliza Community Enterprise 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.

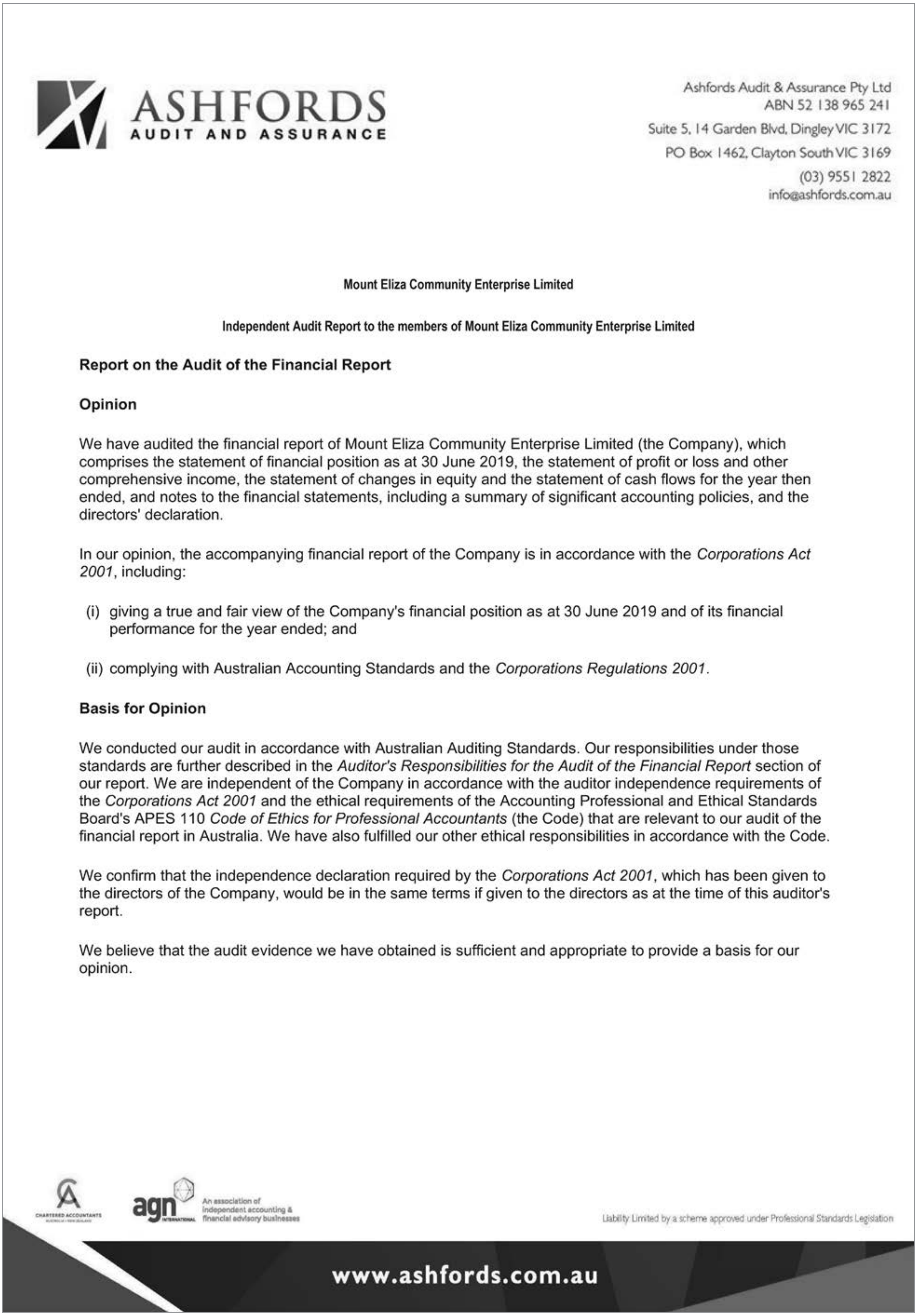
(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Reagan H. Barry
Chairman

Signed on 30 September 2019

Independent audit report



ASHFORDS
AUDIT AND ASSURANCE

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Mount Eliza Community Enterprise Limited

Independent Audit Report to the members of Mount Eliza Community Enterprise Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion, the accompanying financial report of the Company 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

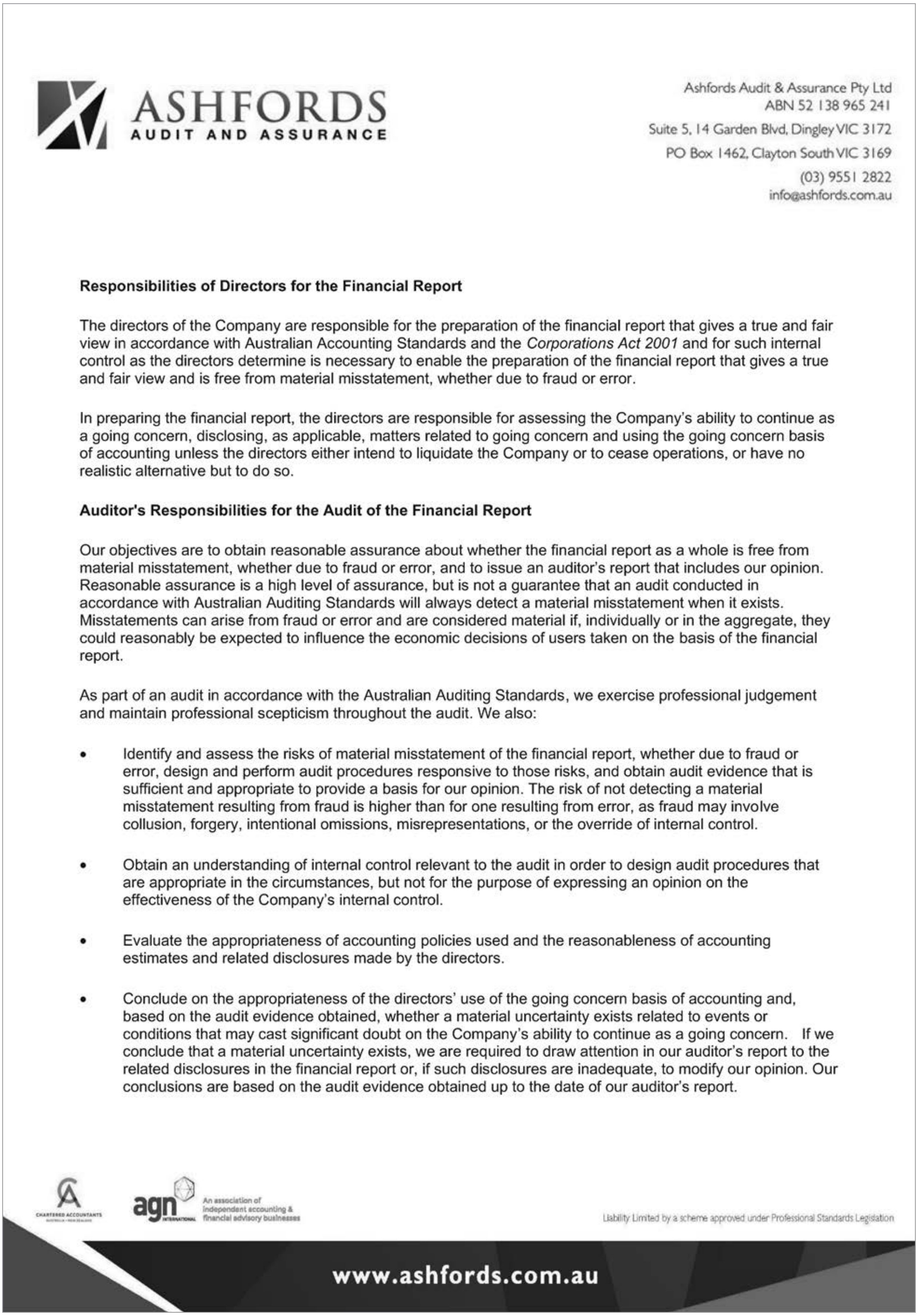
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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.



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Responsibilities of 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.

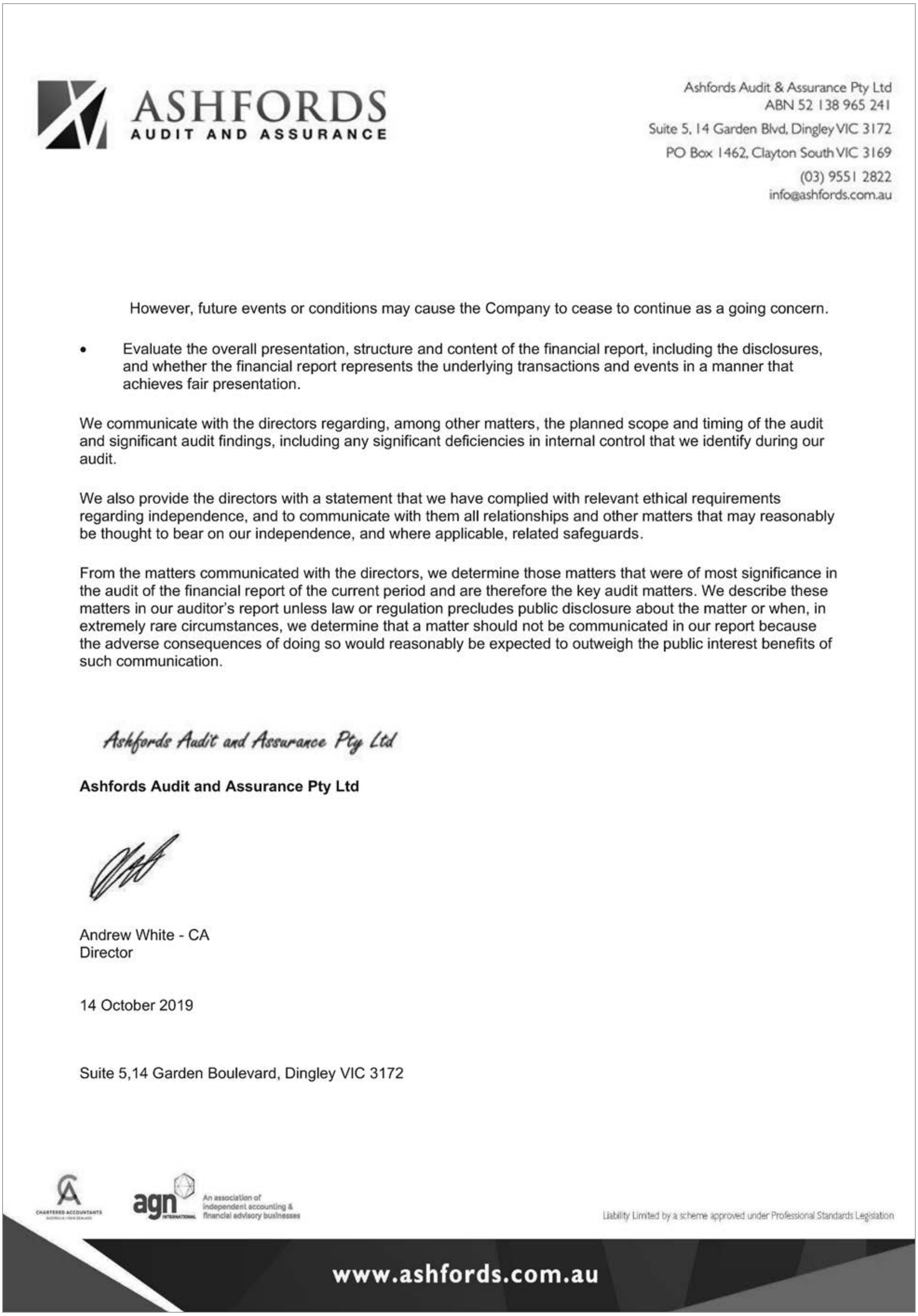
In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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 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 the 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.



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However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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.

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

Ashfords Audit and Assurance Pty Ltd

Ashfords Audit and Assurance Pty Ltd

Andrew White - CA
Director

14 October 2019

Suite 5,14 Garden Boulevard, Dingley VIC 3172

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89 Mt Eliza Way, Mt Eliza VIC 3930
Phone: (03) 9787 1224

Franchisee: Mt Eliza Community Enterprise Limited
PO Box 307, Mt Eliza VIC 3930
Phone: 0412 380 727
ABN: 18 139 499 326

Share Registry:
RSD Chartered Accountants
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4222

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