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Our Mission Statement

To be a leader in the provision of banking services to Mukinbudin and surrounding districts and to return profits generated back to the local communities.

Company Objectives

To provide Shareholders and the community with a quality banking service, to observe best practice business ethics, and a safe workplace for employees. To pursue our mission statement we will communicate with our local community and seek their support in achieving our goals.

Chairperson's Report

For the year ending 30 June 2019

I would like to start by thanking Dirk Sellenger and Lana Foote for their contributions during their time on the board. Both Lana and Dirk were instrumental in reshaping the marketing of the branch including but not limited to, town signage, agency signage and recognition to our contribution to St Johns Ambulance. I would also like to thank Stella Carlson for her hard work and support she showed me when I first took on this role and we wish her well in her future endeavours. Following her resignation, we brainstormed the qualities we needed in a Board Liaison Officer and were delighted when Julie Uden agreed to take on the role. Julie has settled into the position beautifully and I thank her for producing this year's annual report given her short time in the role.

Earlier in the year I had the opportunity to attend the State Conference in Geraldton. I was very impressed by the atmosphere and vibe of the meetings and the cohesive nature of interactions between the various Community Bank branches and Bendigo Bank. It became apparent to me however that most country branches are facing similar issues to us, that being our ability to attract and retain quality staff. The board does not take this issue lightly and therefore it has become a major focus in our strategic planning. We were putting too much pressure on too few and as a result, customers and shareholders were being adversely affected. In an effort to release some of this pressure this month we have welcomed back Sarah Parker in a part time role and offered positions to three other local women. We hope that this will improve morale and rebuild customer's faith in the branch.

The previous year has not been without its challenges and market conditions make the financial results we have been able to achieve all the more impressive. A profit of \$130,000 is due in no small part to the dedication of our Branch Manager, Tara Chambers, and her team, and the constructive debate around decisions taken at a board level. This has allowed the for the payment of a 5c dividend, the establishment of a \$50,000 term deposit, the erection of a garage behind the branch and the outright purchase of a new branch vehicle.

As part of our push for community reengagement, Lucia Scari's role has expanded to put her more in touch with the community side of our business. She has already started some initiatives to engage with the community including her 'Get First Job Ready' program which she hosted at the high school, and we look forward to seeing this progress in the new year. We have tried to sponsor and fund projects that help a wide cross section of the community, these have included Alzheimer's Research, the Mukinbudin Childcare Centre 'Boodie Rats' and our recent financial support of two local high school students to take up a place offered to them on the STS Leeuwin II Youth Explorer Voyage. We are currently negotiating with the Nungarin Heritage and Army Museum to fund solar panels to negate their largest ongoing cost. By providing this system we will save the organisation approximately \$180,000 over the life of the solar panels.

Finally, I want to take this opportunity to thank my fellow board members for their support, understanding and input over the past year. I feel we are working well together and are able to have frank and respectful debate, whilst encouraging new ideas and solutions. I look forward to working with you all into the future.

Hugh Morgan
Chairman

Bendigo Bank Limited 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

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Hugh Geoffrey Michael Morgan

Chair

Occupation: Farmer

Qualifications, experience and expertise: Hugh holds a Certificate III in Agriculture and a Wool Classing Certificate. He has been actively working in agriculture since 2000 and became a Director in Morgan Tirrana Farms 2012 then equal ownership in 2018. Past President of Bencubbin Lions Club, Bencubbin Golf Club. Current active member of Bencubbin Lions Club, Bencubbin Primary School Council with special responsibility of Finance Auditor (BPS).

Special responsibilities: Chair

Interest in shares: 2,000

Troy Leon Baker

Director

Occupation: Contract Mechanic

Qualifications, experience and expertise: Troy has worked as a mechanic in a variety of industries including agriculture, automotive, transport, construction, mining and science/government. For over seven years he has run his own mobile mechanic business servicing the local agricultural industry. He is also president of the Beacon Gun Club, a volunteer firefighter for Bonnie Rock and a member of the Mukinbudin Volunteer Fire and Emergency Service.

Special responsibilities: Nil

Interest in shares: Nil

Dirk John Sellenger

Director

Occupation: Shire CEO

Qualifications, experience and expertise: Local Government CEO for 16 years at five local governments and a career in local government in 1994. Local Government studies undertaken in 1995 in a Certificate 13 Undertaken by the Department of Local Government.

Special responsibilities: Nil

Interest in shares: Nil

Steven Leslie Lange

Secretary

Occupation: Business Proprietor

Qualifications, experience and expertise: Steven holds a Certificate/Diploma of Management from Charles Sturt University Bathurst and has owned and managed his own business for over 21 years. Previously he was a bank officer for 21 years and of that time 6 years as manager. He is also involved in various other community groups.

Special responsibilities: Company Secretary, Treasurer Member of Budget and Finance Committee

Interest in shares: 15,001

Lana Darryl Foote

Director

Occupation: Finance & Administration Manager, Shire of Koorda

Qualifications, experience and expertise: Lana is the Finance and Administration Manager at the Shire of Koorda and has worked in Local Government for four years. She has experience in Budgeting and Management. Lana currently holds the position of Treasurer for the Koorda Community Resource Centre.

Special responsibilities: Member of the Marketing Committee

Interest in shares: Nil

Brandon Murrel Lancaster

Director (Appointed 28 May 2019)

Occupation: Owner/Manager - Retail

Qualifications, experience and expertise: Merchandise manager - Landmark/Elders, Branch Manager Elders, RPD-CBH.

Treasurer - Beacon Football Club, Secretary - Beacon Football Club, Committee - Beacon Country Club, Umpire - Beacon Ladies Hockey Club, Bachelor of Ag Science - VWA. Currently owner & director Ninghan Spraying & Ag Services - Landmark agent/member.

Special responsibilities: Nil

Interest in shares: Nil

Directors' Report (continued)

David Noel Burton

Director (Resigned 1 January 2019)

Occupation: CEO Shire of Koorda

Qualifications, experience and expertise: David is the CEO for the Shire of Koorda, a position that he has held for 7 years. David has 27 years experience in local government in regional and metropolitan areas. David assisted with financial accounting services to the Bayswater Community Financial Services Limited for five years at its initial start before leaving the position due to local government commitments.

Special responsibilities: Member of the Succession Planning Committee

Interest in shares: Nil

Yolande Danielle Bent

Director (Resigned 1 January 2019)

Occupation: Farmer

Qualifications, experience and expertise: Self employed partner in family farming business. Experienced in banking, hospitality and industrial relations and had been involved with various committees. President of the Ladies Auxiliary Winter Sports.

Special responsibilities: Member of the Marketing Committee

Interest in shares: Nil

Pace Patrick Vernon

Director (Resigned 1 January 2019)

Occupation: Earthmoving Contractor

Qualifications, experience and expertise: Pace holds a Trade Certificate in Automotive Mechanical. Commenced an earthmoving business in 2004 with a focus on road construction.

Special responsibilities: Member of the Sponsorship Committee

Interest in shares: Nil

Kim Storer

Director (Resigned 1 September 2018)

Occupation: Community Development Officer

Qualifications, experience and expertise: Kim is the Executive Officer of the Koorda Agricultural Society and Central Wheatbelt Biosecurity Association. She has experience in social, business and economic development.

Special responsibilities: Chair, Member of Sponsorship Committee

Interest in shares: Nil

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 Steven Leslie Lange. Steven was appointed to the position of secretary on 18 February 2008.

Steven holds a Certificate/Diploma of Management from Charles Sturt University Bathurst and has owned and managed his own business for over 21 years. Previously he was a bank officer for 21 years and of that time 6 years a manager. He is also involved in various other community groups.

Principal Activities

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

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

Directors' Report (continued)

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
\$	\$
95,693	17,063

Dividends

Dividend proposed but not recognised as a liability in the period.

Significant Changes in 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 of the financial statements.

Events Since the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in notes 19 and 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' Report (continued)

Directors' Meetings

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

	Board meetings	
	Eligible	Attended
Hugh Geoffrey Michael Morgan	11	11
Steven Leslie Lange	11	11
Troy Leon Baker	11	8
Lana Darryl Foote	11	7
Dirk John Sellenger	11	6
Brandon Murrel Lancaster (<i>Appointed 28 May 2019</i>)	2	2
David Noel Burton (<i>Resigned 1 January 2019</i>)	4	3
Yolande Danielle Bent (<i>Resigned 1 January 2019</i>)	4	2
Pace Patrick Vernon (<i>Resigned 1 January 2019</i>)	3	1
Kim Storer (<i>Resigned 1 September 2018</i>)	2	2

Proceedings on Behalf of the Company

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

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

Non-Audit Services

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

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

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

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

Auditors Independence Declaration

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Mukinbudin, Western Australia on 20 August 2019.

A handwritten signature in black ink, consisting of a stylized initial 'S' followed by a long horizontal line extending to the right.

Steven Leslie Lange
Secretary/Director

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Mukinbudin Community Financial Services Limited

As lead auditor for the audit of Mukinbudin Community Financial Services Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 20 August 2019



Joshua Griffin
Lead Auditor

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	<u>Notes</u>	2019 \$	2018 \$
Revenue from ordinary activities	4	644,739	570,079
Employee benefits expense		(294,102)	(325,820)
Charitable donations, sponsorship, advertising and promotion		(25,242)	(27,115)
Occupancy and associated costs		(19,615)	(20,572)
Systems costs		(19,682)	(19,732)
Depreciation and amortisation expense	5	(16,258)	(16,816)
Finance costs	5	-	-
General administration expenses		(138,087)	(136,251)
Profit before income tax		131,753	23,773
Income tax expense	6	(36,060)	(6,710)
Profit after income tax		95,693	17,063
Total comprehensive income for the year attributable to the ordinary shareholders of the company;		95,693	17,063
Earnings per share		C	C
Basic earnings per share	22	23.54	4.20

Financial Statements (continued)

Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2017		399,201	(299,895)	99,306
Total comprehensive income for the year		-	17,063	17,063
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		399,201	(282,832)	116,369
Balance at 1 July 2018		399,201	(282,832)	116,369
Total comprehensive income for the year		-	95,693	95,693
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 2019		399,201	(187,139)	212,062

Financial Statements (continued)

Balance Sheet

For the year ended 30 June 2019

	<u>Notes</u>	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	143,355	82,357
Trade and other receivables	8	41,915	50,583
Total Current Assets		185,270	132,940
Non-Current Assets			
Property, plant and equipment	9	60,115	13,864
Intangible assets	10	28,272	39,464
Deferred tax assets	11	25,193	61,253
Total Non-Current Assets		113,580	114,581
Total Assets		298,850	247,521
LIABILITIES			
Current Liabilities			
Trade and other payables	12	33,470	36,024
Provisions	13	26,799	56,787
Total Current Liabilities		60,269	92,811
Non-Current Liabilities			
Trade and other payables	12	25,107	37,660
Provisions	13	1,412	681
Total Non-Current Liabilities		26,519	38,341
Total Liabilities		86,788	131,152
Net Assets		212,062	116,369
Equity			
Issued capital	14	399,201	399,201
Accumulated losses	15	(187,139)	(282,832)
Total Equity		212,062	116,369

Financial Statements (continued)

Statement of Cashflows

For the year ended 30 June 2019

	<u>Notes</u>	2019 \$	2018 \$
Cash Flows from operating activities			
Receipts from customers		715,068	632,545
Payments to suppliers and employees		(596,988)	(587,260)
Interest received		57	33
Net cash provided by operating activities	16	118,137	45,318
Cash Flows from investing activities			
Payments for property, plant and equipment		(45,727)	(5,913)
Payments for intangible assets		(11,412)	(11,412)
Net cash used in investing activities		(57,139)	(17,325)
Net increase in cash held		60,998	27,993
Cash and cash equivalents at the beginning of the financial year		82,357	54,364
Cash and cash equivalents at the end of the financial year	7(a)	143,355	82,357

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates which are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Application of new and amended Accounting Standards

There are two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces *AASB 111 Construction Contracts*, *AASB 118 Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement*.

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

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$66,068.

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Mukinbudin, Western Australia.

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

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

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

- 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.

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue

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

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

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

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.

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Monitoring and changing financial return

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

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

c) Income Tax

Current tax

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

Deferred tax

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

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

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

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

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

- furniture and fittings	4 – 40 years
- motor vehicle	3 – 5 years

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement (continued)

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

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

Impairment

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

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

Notes to the Financial Statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases (continued)

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

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

m) Provisions

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

Notes to the Financial Statements (continued)

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.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo & Adelaide Bank Limited receivable as at 30 June 2019.

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

Notes to the Financial Statements (continued)

Note 2. Financial Risk Management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 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 or 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.

Notes to the Financial Statements (continued)

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 or Other Comprehensive Income.

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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.

Notes to the Financial Statements (continued)

	2019	2018
	\$	\$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- gross margin	421,090	360,639
- services commissions	162,929	147,375
- fee income	27,923	27,032
- market development fund	32,500	35,000
Total revenue from operating activities	644,442	570,046
Non-operating activities:		
- interest received	247	33
- other revenue	50	-
Total revenue from non-operating activities	297	33
Total revenues from ordinary activities	644,739	570,079

Note 5. Expenses

Depreciation of non-current assets:		
- furniture and fittings	1,263	1,875
- motor vehicle	3,803	3,749
Amortisation of non-current assets:		
- franchise agreement	2,238	6,715
- franchise renewal fee	8,954	4,477
	16,258	16,816
Bad Debts	194	(208)
Loss on disposal of assets	-	1,254

Notes to the Financial Statements (continued)

	2019	2018
	\$	\$

Note 6. Income Tax Expense

The components of tax expense comprise:

- Movement in deferred tax	10,102	2,711
- Recoupment of prior year tax losses	26,131	3,999
- under/over provision of tax in the prior period	(173)	-
	36,060	6,710

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit	131,753	23,733
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	36,267	6,710
Add tax effect of:		
- non-deductable expenses	-	345
- timing differences	(8,598)	(3,056)
	27,669	3,999
Movement in deferred tax	10,102	2,711
Adjustment to deferred tax to reflect change of tax rate in future periods	-	3,999
Under provision of income tax in the prior year	(173)	-
	37,598	6,710

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	143,355	82,357
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The company has an overdraft facility in place with an approved limit of \$70,000 however the facility remains undrawn at 30 June 2019. The bank overdraft is secured by a fixed and floating charge over the company's assets subject to an annual review each year.

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	143,355	82,357
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Notes to the Financial Statements (continued)

	2019	2018
	\$	\$
Note 8. Trade and Other Receivables		
Trade receivables	36,212	42,712
Prepayments	5,513	7,871
Other receivables and accruals	190	-
	41,915	50,583

Note 9. Property, Plant and Equipment

Motor Vehicles

At cost	75,718	29,991
Less accumulated depreciation	(30,210)	(26,407)
	45,508	3,584

Furniture and Fittings

At cost	209,543	203,953
Less accumulated depreciation	(194,936)	(193,673)
	14,607	10,280

Total written down amount	60,115	13,864
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Movements in carrying amounts:

Motor Vehicle

Carrying amount at beginning	3,584	7,333
Additions	45,727	-
Disposals	-	-
Less: depreciation expense	(3,803)	(3,749)
Carrying amount at end	45,508	3,584

Furniture and Fittings

Carrying amount at beginning	10,280	7,496
Additions	5,590	5,913
Disposals	-	(1,254)
Less: depreciation expense	(1,263)	(1,875)
Carrying amount at end	14,607	10,280

Total written down amount	60,115	13,864
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Notes to the Financial Statements (continued)

	2019	2018
	\$	\$

Note 10. Intangible Assets

Franchise fee

At cost	101,192	101,192
Less: accumulated amortisation	(95,538)	(93,299)
	5,654	7,893

Renewal processing fee

At cost	104,769	104,769
Less: accumulated amortisation	(82,151)	(73,198)
	22,618	31,571
Total written down amount	28,272	39,464

Note 11. Tax

Non-current:

Deferred tax assets

- accruals	798	770
- employee provisions	7,758	15,804
- tax losses carried forward	22,533	48,492
	31,089	65,066

Deferred tax liability

- accruals	53	-
- property, plant and equipment	5,843	3,813
	5,896	3,813

Net deferred tax asset

	25,193	61,253
Movement in deferred tax charged to Statement of Profit or Loss or Other Comprehensive Income	10,102	7,812

Note 12. Trade and Other Payables

Current:

Other creditors and accruals	33,470	36,024
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Non-Current:

Other creditors and accruals	25,107	37,660
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Notes to the Financial Statements (continued)

	2019	2018
	\$	\$

Note 13. Provisions

Current:

Provision for annual leave	25,208	26,334
Provision for long service leave	1,591	30,453
	26,799	56,787

Non-Current:

Provision for long service leave	1,412	681
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Note 14. Issued capital

406,510 Ordinary shares fully paid (2018: 406,510)	406,510	406,510
Less: equity raising expenses	(7,309)	(7,309)
	399,201	399,201

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

(b) *Dividends*

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

Notes to the Financial Statements (continued)

Note 14. Issued Capital (continued)

(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 they control or own 10% or more of the shares in the company (the "10% limit").

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.

Notes to the Financial Statements (continued)

	2019	2018
	\$	\$
Note 15. Accumulated Losses		
Balance at the beginning of the financial year	(282,832)	(299,895)
Net profit from ordinary activities after income tax	95,693	17,063
Balance at the end of financial year	(187,139)	(282,832)

Note 16. 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	95,693	17,063
<i>Non cash items:</i>		
- depreciation	5,066	5,624
- amortisation	11,192	11,192
- loss on disposal of assets	-	1,254
<i>Changes in assets and liabilities:</i>		
- (increase)/decrease in receivables	8,668	(345)
- (increase)/decrease in other assets	47,472	18,122
- increase/(decrease) in payables	(20,697)	(12,322)
- increase/(decrease) in provisions	(29,257)	4,730
Net cash flows provided by operating activities	118,137	45,318

Note 17. 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	5,182	5,182
- between 12 months and 5 years	9,068	14,250
	14,250	19,432

The operating lease is a non-cancellable lease commencing on 18 March 2017 for a five-year term, with rent payable monthly in advance. Rent is currently \$5,182 (plus GST) per annum. The lease has the option of two additional five year terms available.

Note 18. Auditors' Remuneration

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

- audit and review services	4,600	4,400
- non audit services	2,430	2,539
	7,030	6,939

Notes to the Financial Statements (continued)

Note 19. Director and Related Party Disclosures

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

Hugh Geoffrey Michael Morgan
Steven Leslie Lange
Troy Leon Baker
Lana Darryl Foote
Dirk John Sellenger
Brandon Murrel Lancaster (*Appointed 28 May 2019*)
David Noel Burton (*Resigned 1 January 2019*)
Yolande Danielle Bent (*Resigned 1 January 2019*)
Pace Patrick Vernon (*Resigned 1 January 2019*)
Kim Storer (*Resigned 1 September 2018*)

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

Transactions with related parties:	2019	2018
	\$	\$
Steven Leslie Lange is a director of the company that owns the branch premises and received rent during the financial year and groceries totalling	5,753	5,700

No other 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
Hugh Geoffrey Michael Morgan	2,000	
Steven Leslie Lange	15,001	15,001
Troy Leon Baker	-	-
Lana Darryl Foote	-	-
Dirk John Sellenger	-	-
Brandon Murrel Lancaster (<i>Appointed 28 May 2019</i>)	-	-
David Noel Burton (<i>Resigned 1 January 2019</i>)	-	-
Yolande Danielle Bent (<i>Resigned 1 January 2019</i>)	-	-
Pace Patrick Vernon (<i>Resigned 1 January 2019</i>)	-	-
Kim Storer (<i>Resigned 1 September 2018</i>)	-	-

Hugh Geoffrey Michael Morgan purchased 2,000 shares during the 2018-19 financial year.

Note 20. Dividends provided for or paid	2019	2018
	\$	\$
<i>c. Dividends proposed and not recognised as a liability</i>		
Current year final dividend		
Unfranked dividend – 5 cents (2018: Nil cents) per share	20,326	-

Notes to the Financial Statements (continued)

Note 21. Key Management Personnel Disclosures

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

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

Community Bank Directors' Privileges Package

The board has adopted the Community Bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank branch at Mukinbudin, Western Australia. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package was \$305 for the year ended 30 June 2019 (2018: \$920).

Note 22. Earnings Per Share

		2019	2018
		\$	\$
a.	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	95,693	17,063
		Number	Number
b.	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	406,510	406,510

Note 23. 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 24. 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 25. Segment Reporting

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

Notes to the Financial Statements (continued)

Note 26. 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
29 Shadbolt Street
Mukinbudin, WA 6479

Principal Place of Business
29 Shadbolt Street
Mukinbudin, WA 6478

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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	93,355	82,357	50,000	-	-	-	-	-	-	-	0.18	0.06
Receivables	-	-	-	-	-	-	-	-	36,212	42,712	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	58,577	73,684	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Notes to the Financial Statements (continued)

Note 27. Financial Instruments (continued)

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%	1,434	824
Decrease in interest rate by 1%	(1,434)	(824)
Change in equity		
Increase in interest rate by 1%	1,434	824
Decrease in interest rate by 1%	(1,434)	(824)

Directors' Declaration

In accordance with a resolution of the directors of Mukinbudin Community Financial Services 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 director's 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.



Steven Leslie Lange, Secretary/Director

Signed on the 20 August 2019

Independent Audit Report



Partners in success

Chartered Accountants

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

Independent auditor's report to the members of Mukinbudin Community Financial Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Mukinbudin Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

Mukinbudin Community Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

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

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

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Independent Audit Report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 20 August 2019



Joshua Griffin
Lead Auditor