Murrindindi Community Enterprise Limited

ABN 55 141 660 086

2019 Annual Report

Yea & District Community Bank Branch

Contents

Chairman's report

For year ending 30 June 2019

This financial year has been another challenging one for Murrindindi Community Enterprise Limited (MCEL). Uncertain economic conditions have continued through 2019 and have made it difficult to attract new customers, while an increasing number of existing ones are paying down their debt. The continuing decline in interest rates to historic lows continues to impact negatively on our revenue. Indications are that further rate cuts will be made in the first half of 2019/20. Community and shareholder response to our specific marketing initiatives and our attempts to attract new Directors to the Board continue to be especially disappointing.

However, we have continued to improve our financial performance and after depreciation and tax we have made a loss of $3,505 compared to a loss of $40,250 last year. On a cash basis we had our first surplus of $15,093 (deficit of $26,941 last year). Our revenue increased by 1.6% and our expenses decreased by 6% following the cost-cutting measures implemented in March 2018. Total deposits, and other business increased by 9% to $84.22 million but our ratio of deposits to loans remains at an unsatisfactory high level. The appointment by Bendigo and Adelaide Bank Limited of a Business Banker for our Region is starting to have a positive impact on our small business lending and the agribusiness sector is now being serviced by the Rural Bank team led by Donna Slevin. Other improvements in the management of our business are being implemented and will bear fruit in the next financial year.

We have continued our very substantial investment in our community this year and in the last nine years over $210,000 has been invested in local projects, community groups, business organisations and schools in the Yea-Alexandra-Eildon area. We continue to provide an excellent level of full banking services to these communities in spite of reduced trading hours. The total number of transactions over the counter at the branch continues to decline as our customers take advantage of the excellent on-line services provided by Bendigo Bank.

I wish to thank my fellow Board members, including Karli Chase and David Roberts who resigned as Directors during the year, for their efforts and volunteer contributions to our Community Bank branch and to our community this year. I also wish to thank our team in the branch, led by Manager Lyn Southurst, and also the regional team at Bendigo and Adelaide Bank Limited for their continued guidance and assistance.

We thank you, our shareholders for your continued patience, and ask that you assist your Board by your continued banking support and also ask that you continue to advocate yours and our business to your friends and family.

This is my final report as Chairman of the Board of MCEL as I have resigned as a Director from 31 July 2019. I wish Mike Dalmau and the remaining Board members all the best as they take MCEL into a new era of profit and prosperity. Mike's report below summarises some of the activities in the early part of 2019/20.

Gary Pollard
Chairman

Chairman's report (continued)

July – October 2019

It is an honour to have been appointed as the Chairperson of MCEL.

Firstly, I would like to thank the inaugural and long serving Chairman in Gary Pollard for his leadership, dedication, commitment and hard work as a volunteer to further the interests and ideals of MCEL. I wish Gary all the best for the future with his family.

Two other inaugural and long serving Directors in David Roberts and Russell Wealands are also retiring. I would like to thank them for their dedication and commitment as volunteer Directors to the interests and ideals of MCEL, over an extended period of time.

Further, Director Ian McKaskill is stepping down from the Board at the AGM. I would like to thank Ian for his valuable input at Board meetings.

Our long-term Branch Manager Lyn Southurst resigned in July. We thank Lyn for her service to MCEL and wish Lyn all the best for the next part of her journey.

Simeon Boseley was welcomed to the Board recently, bringing a great skill set that will be valuable to the Board.

Sam Hicks continues as a Director and her skill set, especially in marketing, is greatly appreciated at Board level.

With the changes that have been taking place, I would like to highly commend and thank our staff who are stepping up to the mark and providing a great service at the branch.

Since becoming Chairman, I have had a number of meetings with the Bendigo and Adelaide Bank Limited State Manager, Justine Minne. Justine has been most supportive. Bendigo and Adelaide Bank Limited has reorganised its regions which has led to Lisa Liddell being appointed as our Regional Manager. Lisa has provided excellent and thorough support during this period. Thank you, Lisa.

In looking to the future, which I believe is most positive, the resignation of our Branch Manager has permitted the Board, together with Lisa's assistance to review and reset the operations of MCEL. By the time of the AGM, we will hopefully be able to make announcements regarding the future operations of MCEL.

The retirement of some of the long-standing Directors, necessitates new Directors joining the team and we will be seeking those with appropriate skill sets to assist with the development of MCEL.

There are significant challenges facing MCEL, however, with these important changes that have been happening to your team, I believe, there is a positive future by providing the best possible financial services for our community, especially our small businesses, to make MCEL a profitable concern and then investing profits back into the social capital of our communities to ensure they thrive well into the future.

Your support as part of this MCEL team will always be most appreciated.

Mike Dalmau
Chairman

Manager's report

For year ending 30 June 2019

It is with pleasure that I submit the annual Manager's report for Yea & District Community Bank Branch.

We are the fifth largest retail Bank in Australia. A regionally founded organisation that holds true to its strongly grounded values, is nationally represented in every state and territory across the country and globally recognised for our unique shared value banking model. We have a deeply ingrained sense of doing well by doing good.

Our business is ready to take advantage of the opportunities ahead. Our customer focus, high trust ratings, and customer advocacy unite to provide the perfect platform for business growth.

In an environment where many are disillusioned with their current bank, the time for our Bank to cement our position as Australia's bank of choice is now. We'll continue to tell our story and ask people to join us to bring about the change they want to see.

The past 12 months has seen some changes in our branch staffing. Our long-term Branch Manager Lyn Southurst tendered her resignation in July and we wish Lyn all the best for the next part of her journey. Kirsty Hilder has decided to spend time with her young family and not return from her maternity leave. We thank each one of them for their continued efforts and their service.

Our staff comprising of Kerry, Michelle, Jo and Fiona form a fantastic team and I thank them for their dedication, support and assistance that they provide. We welcome Fiona Leadbeater to her new role as Customer Service Officer at the branch.

I would like to take this opportunity to personally thank Kerry, Michelle and Jo who have done a tremendous job keeping the branch operating to a high level whilst we recruit a new Branch Manager.

The branch has also continued to strengthen our partnership with Rural Bank and have received great service from James Alcaniz (Agri Relationship Manager). This partnership is a key focus moving forward into the future.

I would also like to thank Graeme, Jenny and their team at the Alexandra agency for their ongoing enthusiasm and support in helping us build our business in Alexandra.

Thank you to our Board of Directors who provide a strong strategic direction for the branch team. The strategy they have set will see Yea & District Community Bank Branch continue to maintain our strong community focus and ensure we remain a relevant banking choice in our community.

On behalf of the branch staff thank you to our shareholders, our individual customers and the local businesses and groups that choose to bank with the Yea & District Community Bank Branch. It is because of you that we are able to provide the support that we do to the local community. We look forward to seeing you in the branch throughout the year.

Sincerely

Lisa Liddell
Regional Manager

Directors' report

For the financial year ended 30 June 2019

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

Directors

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

Michael John Dalmau
Chair
Occupation: House-boat Broker
Qualifications, experience and expertise: Murrindindi Inc. (Regional Business & Tourism Body) President. Lake Eildon Houseboat Industry Association President. ADAS Inc. (Alexandra District ambulance Support) President. CRLLEN (Central Ranges Local Learning Employment Network) Board Member and Treasurer. Murrindindi Community Enterprises Ltd T/as Yea & District Community Bank Board Member. GMW Lake Eildon Implementation Group Community Representative. Alexandra District Traders & Tourism Association Committee Member. Eildon Major Events Board Member.
Special responsibilities: Chair from 1 August 2019.
Interest in shares: Nil

Samantha Leigh Hicks
Director
Occupation: Self-employed Business Development and Marketing Consultant
Qualifications, experience and expertise: Sam has been self-employed from 18 years of age with a career of 20 plus years in manufacturing and teaching of ceramics. Sam is currently a self-employed consultant in business development and Marketing. Sam is a professional photographer, and has been taking photos of landscapes, objects and people since 8 years of age. Sam has a Cert IV in Workplace Training and Assessment, a Cert IV in Business and Marketing, a Cert 3 in Events and a Cert 2 in Creative Volunteering. She holds Diplomas in Tourism, Events, Community Development, Community Education and Project Management. Sam is currently studying a Masters in Business Administration majoring in Marketing. She is a Proud life member and Secretary of Murrindindi Food and Wine inc, President of the Fawcett Hall reserve committee of Management, and the Alexandra Heated (POP up POOL) project and a Proud life member of Marysville Triangle Business and Tourism Inc.
Special responsibilities: Marketing and Development Committee
Interest in shares: Nil

Ian Fraser McKaskill
Director
Occupation: Retired Engineer
Qualifications, experience and expertise: Ian McKaskill is a mechanical engineer with over 35 years experience in a diverse range of engineering and related areas including oil & gas, minerals processing, heavy engineering manufacturing, IT and education. He has expertise in the project management and successful delivery of large capital works projects in the process industries. Earlier in his career, he worked in the areas of design of large capital equipment developing this experience through to marketing and business development and ultimately into general management of engineering, construction and project management businesses. He has specific skills in the delivery of large EPC projects including the areas of project management, contracts formulation and management, project initiation, project execution and project close-out. Ian has long held a passion for delivering projects in a dispute free environment and uses his qualifications and skills as a arbitrator and mediator to execute project deliver in a low conflict environment. Ian is also involved in rural and regional based activities. As well as his past role as a Board member of Alexandra District Health and current Board Member of Murrindindi Community Enterprises Limited, Ianis Vice President/Secretary of the Upper Goulburn Landcare Network, President of the Murrindindi East Chapter of U3A, Independent Member of the Murrindindi Shire Council Audit Committee.
Special responsibilities: Nil
Interest in shares: Nil

Directors *(continued)*

Russell George Wealands
Director
Occupation: Retired (Community Volunteer)
Qualifications, experience and expertise: Russell holds a Diploma CE EWS Civil Engineering, He is the Chair of Yea Wetlands Trust, a member of Y Water Centre Association, Yea Golf club and Yea Arts Inc. He is a former Executive officer of Upper Goulburn, Goulburn Broken CMA.
Special responsibilities: Marketing Committee
Interest in shares: 10,001

Simeon Christopher Clay Boseley
Director *(Appointed 5 August 2019)*
Occupation: M.D BExceptional Pty Ltd
Qualifications, experience and expertise: Simeon has three decades of senior leadership experience in leading retail brands in the UK and Australia, including the leadership of a 10,000 strong team, with sales revenue of $2 billion and EBIT of $265.m. He has also been involved in successful delivery of individual, team and organization coaching and leadership programs and workshops, with leading organizations including INSEAD (2018-19) and the Women in Leadership Conference (2016-18). Simeon is currently Managing Director at BExceptional Consulting Pty Ltd. He was formerly General Manager of Customer Experience & Consumer at Target Australia (2015-2016), Group Services Manager (2013-2015), Tri-State Manager of Vic/Tas/SA (2010-2013), Regional Operations Manager FNQ (2007-2010) and Complex Manager (2004-2007) at Bunnings Group. Qualifications include M.Sc Applied Positive Psychology & Coaching Psychology (University of East London), Diploma of Positive Psychology and Well Being (Langley Institute), BA (Hons) Retail Marketing and Management and Harvard Business School Leadership Program.
Special responsibilities: Nil
Interest in shares: Nil

Gary Robert Pollard
Director *(Resigned 31 July 2019)*
Occupation: Retired
Qualifications, experience and expertise: Gary is a Pharmacist and Community Pharmacy owner. He is a past Councillor and Vice President of Shire of Yea. He is a life member with the Yea Apex club, Yea Cricket club, Yea Golf club and Yea and District Cricket Association.
Special responsibilities: Marketing and Development Committee and Audit Committee
Interest in shares: 36,001

David Earlsley Roberts
Director *(Resigned 31 May 2019)*
Occupation: Retired
Qualifications, experience and expertise: David worked in the Minerals industry for 31 years working with the Western Mining Corporation as a research and field Geologist from 1969-1989. He was a member of the Executive Management Team for Mineral Exploration in Australia, North & South America and Asia 1989-2000. He worked in the Pastoral and Farming industry for 15 years, as an Owner/operator of Beef Cattle enterprise and organic herbs business 2000-2015. David holds a B.Sc. (Hons) Australian National University 1969; M.Sc. James Cook University 1977; Executive Development Program University of California-Berkley 1992. He was a member, past President and Board Member Rotary club of Yea 2001-2016, Rotary Paul Harris Fellow. Past Treasurer for Yea Wetlands Committee of Management, Yea Wetlands Trust Trustee & Secretary Treasurer 2004-2013 and a Member of Yea & District Historical Society.
Special responsibilities: Treasurer, Company Secretary
Interest in shares: 3,001

Directors *(continued)*

Karli Joy Chase
Director *(Resigned 31 October 2018)*
Occupation: Retired
Qualifications, experience and expertise: Karli is a small business owner. She is a member of the HiArts Highlands Art Inc., Highlands Community Hall and Seymour Youth and Fitness centre.
Special responsibilities: Marketing and Development Committee
Interest in shares: 1,500

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

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

Company Secretary

The company secretary is David Roberts. David was appointed to the position of secretary on 2 September 2010.

David has also been the Company Treasurer since 20 November 2014. David's qualifications and experience include being an executive member of Western Mining Corporation's global exploration management team. David spent 31 years in mineral exploration and mining geology in Australia and in 12 countries internationally.

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 loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2019 $	Year ended 30 June 2018 $
(3,505)	(40,250)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

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' meetings

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

	Board Meetings		Audit Committee	
	Eligible	Attended	Eligible	Attended
Michael John Dalmau	10	10	-	-
Samantha Leigh Hicks	10	7	-	-
Ian Fraser McKaskill	10	8	1	1
Russell George Wealands	10	7	-	-
Simeon Boseley 1.	-	-	-	-
Gary Robert Pollard 2.	10	7	1	1
David Earlsley Roberts 3.	9	8	1	1
Karli Joy Chase 4.	4	2	-	-

1. *(Appointed 5 August 2019)*
2. *(Resigned 31 July 2019)*
3. *(Resigned 31 May 2019)*
4. *(Resigned 31 October 2018)*

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, in accordance with the advice received from the audit 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 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 10.

Signed in accordance with a resolution of the board of directors at Yea, Victoria on 24 September 2019.

Michael John Dalmau, Chair

Auditor’s independence declaration

Partners in success

Chartered Accountants

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

Lead auditor’s independence declaration under section 307C of the *Corporations Act 2001* to the directors of Murrindindi Community Enterprise Limited

As lead auditor for the audit of Murrindindi Community Enterprise 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: 24 September 2019

Joshua Griffin
Lead Auditor

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Murrindindi Community Enterprise Limited Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	484,295	476,447
Employee benefits expense		(240,809)	(284,776)
Charitable donations, sponsorship, advertising and promotion		(39,864)	(45,697)
Occupancy and associated costs		(50,496)	(45,490)
Systems costs		(35,171)	(33,056)
Depreciation and amortisation expense	5	(20,965)	(19,948)
Finance costs	5	(10,896)	(9,531)
General administration expenses		(90,927)	(93,467)
Loss before income tax credit		(4,833)	(55,518)
Income tax credit	6	1,328	15,268
Loss after income tax credit		(3,505)	(40,250)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(3,505)	(40,250)
Earnings per share		¢	¢
Basic earnings per share	22	(0.43)	(4.91)

The accompanying notes form part of these financial statements.

Murrindindi Community Enterprise Limited
Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	4,484	540
Trade and other receivables	8	40,410	38,362
Total current assets		44,894	38,902
Non-current assets			
Property, plant and equipment	9	64,350	71,534
Intangible assets	10	32,224	45,780
Deferred tax asset	11	240,812	239,484
Total non-current assets		337,386	356,798
Total assets		382,280	395,700
LIABILITIES			
Current liabilities			
Trade and other payables	12	44,747	44,054
Borrowings	13	277,090	272,747
Provisions	14	32,502	32,138
Total current liabilities		354,339	348,939
Non-current liabilities			
Trade and other payables	12	-	16,793
Provisions	14	2,205	727
Total non-current liabilities		2,205	17,520
Total liabilities		356,544	366,459
Net assets		25,736	29,241
EQUITY			
Issued capital	15	792,829	792,829
Accumulated losses	16	(767,093)	(763,588)
Total equity		25,736	29,241

The accompanying notes form part of these financial statements.

Murrindindi Community Enterprise Limited
Statement of Changes in Equity
for the year ended 30 June 2019

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017	792,829	(723,338)	69,491
Total comprehensive income for the year	-	(40,250)	(40,250)
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	792,829	(763,588)	29,241
Balance at 1 July 2018	792,829	(763,588)	29,241
Total comprehensive income for the year	-	(3,505)	(3,505)
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	792,829	(767,093)	25,736

The accompanying notes form part of these financial statements.

Murrindindi Community Enterprise Limited
Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		533,419	524,013
Payments to suppliers and employees		(507,430)	(541,422)
Interest paid		(10,896)	(9,531)
Net cash provided by/(used in) operating activities	17	15,093	(26,940)
Cash flows from investing activities			
Payments for property, plant and equipment		(225)	(2,064)
Payments for intangible assets		(15,267)	(15,267)
Net cash used in investing activities		(15,492)	(17,331)
Net decrease in cash held		(399)	(44,271)
Cash and cash equivalents at the beginning of the financial year		(272,207)	(227,936)
Cash and cash equivalents at the end of the financial year	7(a)	(272,606)	(272,207)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2019

Note 1.	Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

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

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

Note 1. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Application of new and amended accounting standards (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

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 $170,098.

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 Yea, 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 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:

- 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.

Note 1. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Going concern

The net assets of the company as at 30 June 2019 were $25,736 and the loss made for the year was $3,505, bringing accumulated losses to $767,093.

In addition:	$
Total assets were	382,280
Total liabilities were	356,544
Operating cash flows were	15,093

There was a 91% decrease in the loss recorded for the financial year ended 30 June 2019 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility with an approved limit of $300,000 and was drawn to $277,090 as at 30 June 2019.

$10,896 of interest expense was incurred during the 2019 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 1 to 5. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue has increased the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal and extension may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2019/20 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

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.

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).

Note 1. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

Discretionary financial contributions (continued)

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.

c) Income tax

Current tax

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

Deferred tax

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

Note 1. Summary of significant accounting policies *(continued)*

c) Income tax *(continued)*

Deferred tax (continued)

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 bargin 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.

Note 1. Summary of significant accounting policies *(continued)*

g) Property, plant and equipment *(continued)*

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

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

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

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.

Note 1. Summary of significant accounting policies *(continued)*

k) Financial instruments *(continued)*

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Note 1. Summary of significant accounting policies *(continued)*

k) Financial instruments *(continued)*

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.

Note 1. Summary of significant accounting policies *(continued)*

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

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.

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.

(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.

Note 2. Financial risk management *(continued)*

Expected credit loss assessment for other customers (continued)

(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 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.

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

Note 4. Revenue from ordinary activities

	2019	2018
	$	$
Operating activities:		
- gross margin	350,374	354,766
- services commissions	43,088	32,845
- fee income	55,833	51,544
- market development fund	35,000	37,292
Total revenue from operating activities	484,295	476,447
Total revenues from ordinary activities	484,295	476,447

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	3,999	4,800
- leasehold improvements	3,410	3,410
Amortisation of non-current assets:		
- franchise fee	2,260	(4,315)
- franchise renewal fee	11,296	16,053
	20,965	19,948

In 2018 there was a catch up adjustment of the amortisation of the above franchise fee expenses in the prior financial year. In 2017 financial year franchise fees were not correctly amortised over their useful life of five years which equates to 20%.

Finance costs:		
Interest paid	10,896	9,531
Bad debts	385	29

Note 6. Income tax credit

The components of tax credit comprise:		
- Future income tax benefit attributable to losses	(794)	(13,566)
- Movement in deferred tax	(534)	(1,702)
	(1,328)	(15,268)

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows

Operating loss	(4,833)	(55,518)
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	(1,328)	(15,268)
Add tax effect of:		
- timing difference expenses	534	1,702
	(794)	(13,566)
Movement in deferred tax	(534)	(1,702)
	(1,328)	(15,268)

Note 7. Cash and cash equivalents		2019	2018
		$	$
Cash at bank and on hand		4,484	540

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		4,484	540
Bank overdraft	Note 13	(277,090)	(272,747)
		(272,606)	(272,207)

Note 8. Trade and other receivables		
Trade receivables	32,129	32,723
Prepayments	8,281	5,639
	40,410	38,362

Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	85,247	85,247
Less accumulated depreciation	(30,232)	(26,822)
	55,015	58,425
Plant and equipment		
At cost	87,000	86,775
Less accumulated depreciation	(77,665)	(73,666)
	9,335	13,109
Total written down amount	64,350	71,534

Note 9. Property, plant and equipment *(continued)*	2019	2018
	$	$
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	58,425	61,835
Less: depreciation expense	(3,410)	(3,410)
Carrying amount at end	55,015	58,425
Plant and equipment		
Carrying amount at beginning	13,109	15,845
Additions	225	2,064
Less: depreciation expense	(3,999)	(4,800)
Carrying amount at end	9,335	13,109
Total written down amount	64,350	71,534

Note 10. Intangible assets	2019	2018
Franchise fee		
At cost	21,297	21,297
Less: accumulated amortisation	(17,936)	(15,676)
	3,361	5,621
Renewal processing fee		
At cost	56,484	56,484
Less: accumulated amortisation	(39,677)	(28,381)
	16,807	28,103
Goodwill on purchase of agency	12,056	12,056
Total written down amount	32,224	45,780

Note 11. Tax

	2019	2018
	$	$
Non-current:		
Deferred tax assets		
- accruals	798	770
- employee provisions	9,544	9,038
- tax losses carried forward	230,470	229,676
	240,812	239,484
Net deferred tax asset	240,812	239,484
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(1,328)	(9,317)

Note 12. Trade and other payables

Current:		
Trade creditors	4,557	11,913
Other creditors and accruals	40,190	32,141
	44,747	44,054
Non-current:		
Trade creditors	-	16,793

Note 13. Borrowings

Current:		
Bank overdraft	277,090	272,747

The company has an overdraft facility of $300,000 which is charged at an interest rate currently 3.205%. This overdraft is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:		
Provision for annual leave	12,761	13,943
Provision for long service leave	19,741	18,195
	32,502	32,138
Non-current:		
Provision for long service leave	2,205	727

Note 15. Issued capital

	2019	2018
	$	$
820,109 ordinary shares fully paid (2018: 820,109)	820,109	820,109
Less: equity raising expenses	(27,280)	(27,280)
	792,829	792,829

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001.*

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.

Note 15. Issued capital *(continued)*

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

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

Note 16. Accumulated losses

	2019	2018
	$	$
Balance at the beginning of the financial year	(763,588)	(723,338)
Net loss from ordinary activities after income tax	(3,505)	(40,250)
Balance at the end of the financial year	(767,093)	(763,588)

Note 17. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities

	2019	2018
Loss from ordinary activities after income tax	(3,505)	(40,250)
Non cash items:		
- depreciation	7,409	8,210
- amortisation	13,556	11,738
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(2,048)	1,790
- (increase)/decrease in other assets	(1,328)	(15,268)
- increase/(decrease) in payables	(833)	851
- increase/(decrease) in provisions	1,842	5,989
Net cash flows provided by/(used in) operating activities	15,093	(26,940)

Note 18. Leases

Operating lease commitments
Non-cancellable operating leases contracted for but not capitalised in the financial statements
Payable - minimum lease payments:

	2019	2018
- not later than 12 months	27,583	32,063
- between 12 months and 5 years	4,597	37,406
	32,180	69,469

The branch operating lease is a non-cancellable lease with a five-year term which commenced August 2015, with rent payable monthly in advance and an additional five-year renewal option available.

Note 19. Auditor's remuneration

	2019	2018
	$	$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- non audit services	2,810	2,430
	7,410	6,830

Note 20. Director and related party disclosures

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

Michael John Dalmau
Samantha Leigh Hicks
Ian Fraser McKaskill
Russell George Wealands
Simeon Boseley *(Appointed 5 August 2019)*
Gary Robert Pollard *(Resigned 31 July 2019)*
David Earlsley Roberts *(Resigned 31 May 2019)*
Karli Joy Chase *(Resigned 20 October 2018)*

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

Directors Shareholdings	2019	2018
Michael John Dalmau	-	-
Samantha Leigh Hicks	-	-
Ian Fraser McKaskill	-	-
Russell George Wealands	10,001	10,001
Simeon Boseley *(Appointed 5 August 2019)*	-	-
Gary Robert Pollard *(Resigned 31 July 2019)*	36,001	36,001
David Earlsley Roberts *(Resigned 31 May 2019)*	3,001	3,001
Karli Joy Chase *(Resigned 20 October 2018)*	1,500	1,500

There were no movements in directors shareholdings during the year.

Note 21. Key management personnel disclosures

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

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

Note 22. Earnings per share

	2019	2018
	$	$
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(3,505)	(40,250)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	820,109	820,109

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 Yea, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

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	Principal Place of Business
66 High Street Yea VIC 3717	66 High Street Yea VIC 3717

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: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 %	2018 %
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	4,484	540	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	32,129	32,723	N/A	N/A
Financial liabilities												
Interest bearing liabilities	277,090	272,747	-	-	-	-	-	-	-	-	3.99	3.87
Payables	-	-	-	-	-	-	-	-	4,557	11,913	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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%	(2,771)	(2,727)
Decrease in interest rate by 1%	2,771	2,727
Change in equity		
Increase in interest rate by 1%	(2,771)	(2,727)
Decrease in interest rate by 1%	2,771	2,727

Directors' declaration

In accordance with a resolution of the directors of Murrindindi 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.

Michael John Dalmau, Chair

Signed on the 24th of September 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 Murrindindi Community Enterprise Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Murrindindi Community Enterprise Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards.

What we have audited

Murrindindi Community Enterprise Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of $3,505 during the year ended 30 June 2019, further reducing the company's net assets to $25,736. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Taxation | Audit | Business Services

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.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: 24 September 2019

Joshua Griffin
Lead Auditor

Yea & District Community Bank Branch
66 High Street, Yea VIC 3717
Phone: (03) 5797 2188

Franchisee: Murrindindi Community Enterprise Limited
66 High Street, Yea VIC 3717
Phone: (03) 5797 2188
ABN: 55 141 660 086

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