# Pinjarra Community Financial Services Limited

ABN 31 097 389 547



# 2019 Annual Report

Pinjarra Community Bank Branch

# Contents

# Chairman's report

## For year ending 30 June 2019

On behalf of the Pinjarra Community Financial Services Limited Board it is my pleasure to present the Chairman's report of the Pinjarra Community Bank Branch performance and activities for the 2018/19 financial year.

As predicted in last year's report, 2018/19 has been a year of continuous challenge and change as the industry continues to encounter extremely difficult market conditions and comes to terms with new banking regulations.

It is pleasing to note Bendigo and Adelaide Bank Limited's performance in the recent Royal Commission into the banking industry was positively received. Our Community Bank branch continues to prioritise our culture of high-quality customer service and accountability, under the very capable leadership of our Branch Manager Karien Barr supported by her dedicated staff.

It gives me great pleasure to announce that our financial position as at the 30 June 2019 shows an after-tax profit of $41,751. The result can be attributed to the continuing priority of our staff to place the customer focussed values of our Pinjarra Community Bank Branch front and centre in their dealings with our customers and the community.

Our Marketing Committee very ably led by Sarah Perryer, has worked diligently to use funds effectively and to the greatest advantage to those groups that have applied for and been awarded donations, grants and sponsorships. In return for our financial support, we require, that we, as your Community Bank branch, benefit by way of brand exposure through advertising, naming rights, partnership banking and attendance at important functions, etc.

Some of the projects which have benefitted from your Community Bank branch marketing budget this year are:

- Pinjarra Men's Shed
- Squared Away
- Murray Districts Pistol Club
- Shire of Murray
- North Pinjarra Progress Association
- Waroona Agricultural Society.

These are only a few of the community groups which we have supported during the financial year 2018/19, showing the diversity of projects that have been supported.

In total, the amount contributed to our community this year is $69,236.

Once again, despite this highly competitive environment we were able to pay a fully franked dividend of five cents per share. Since 2013 Pinjarra Community Financial Services Limited has been able to pay a dividend to shareholders.

The 2018/19 financial year has also brought about changes to the Board of Directors of Pinjarra Community Financial Services Limited.

As a result of the 2017/18 Director resignations, a plan was put in place by our Branch Manager and Marketing Chair to recruit new Board members. I am pleased to announce that the Board has welcomed two new Directors, Shane Rowley and Warren Haugh, who were appointed by the Board on 4 December 2018.

I would like to express my sincere appreciation to all of our Board members who volunteer their time and expertise to the company and to myself, in my role of Chairman. I would like to acknowledge their commitment to the Board, and also thank their families, for, as we know, such a commitment affects both their personal and business lives.

# Chairman's report (continued)

All members contribute to the smooth running of the Board, assisted by the staff. I would especially like to thank our Company Secretary, Michael Kidd, Branch Manager, Karien Barr, Marketing Chair, Sarah Perryer and our recently retired Administration Officer, Jan Grandison for their support during 2018/19. It is also my pleasure to welcome aboard our new Administration Officer, Tessa Davies.

Without the support of our shareholders Pinjarra Community Financial Services Limited would not exist, so a great big thanks for your continuing support.

Whilst there will be ongoing economic challenges which will inevitably affect our Community Bank branch, you can be assured that your Board of Directors and our branch staff, will continue our efforts to uphold the success of our brand and our business as we have done in the past. I have already requested that thought be given to an appropriate celebration in the 2021 year, to mark the milestone achievement of 20 years of operations of your Pinjarra Community Bank Branch.

E. A. Hiddlestone

**Ernest Hiddlestone**
**Chairman**

# Manager's report

## For year ending 30 June 2019

The Pinjarra Community Bank Branch has had an exciting and strong year seeing changes which will keep us at the forefront of the banking business.

As at 30 June 2019 the business portfolio comprised net assets totalling $612,916, cash and cash equivalents totalling $515,048 and community contributions totalling $69,236. This is an excellent result in what has been a challenging year.

Both myself and the new Customer Relationship Manager are very committed and believe strongly in making ourselves more accessible and mobile to our customers. In doing so, we hope to achieve a strong presence in the local community and deliver 'old fashioned' customer service, which is our number one priority.

If you haven't already met Natalie or myself, please feel free to come in to the branch and introduce yourself to us. We place great value on all our shareholders and would welcome the opportunity to meet with you and discuss any banking requirements for which we may provide assistance.

The branch has soared throughout a challenging year. The staff members are functioning as an enthusiastic and efficient team and has laid the foundation for a strong potential growth pipeline in 2019/20.

The team has worked consistently throughout the year to ensure we succeed in business growth and prominence within the community.

We are working closely with the Marketing Committee to continue our marketing strategy which will inform the people within our region of our commitment to, and involvement in, the community and promote our Community Bank branch in a wider, more visible manner.

I would like to take this opportunity to thank the staff, each of whom has worked with diligence and professionalism, and has represented our Community Bank branch with dignity and enthusiasm within the community we serve.

I would also like to thank you, the shareholders, for your continuing support which ensures the ongoing success of our Community Bank branch, and the Board members who volunteer their time and energy to drive and grow the business. Your combined efforts are greatly appreciated.

We are **Bigger than a bank** and pride ourselves in being the most customer focused bank in Australia. We listen to our customers and strive to enhance their branch experience not only by developing our exceptional customer service but by also keeping up with the times and introducing modern technologies.

I am confident that the Pinjarra Community Bank Branch is entering the 2019/20 financial year on very solid ground and look forward to another challenging and successful year.

**Karien Barr**
**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:

**Ernest Albert Hiddlestone**

Chairman

Occupation: Retired

Qualifications, experience and expertise: Previously a primary school teacher for 37 years including Deputy Principal for 15 years. Has also been a self employed lawn mowing contractor. Treasurer for the Rotary Club of Kenwick (five years).

Special responsibilities: Board Chairman, Chairman Human Resources committee.

Interest in shares: 300

**Michael Frank Kidd**

Secretary

Occupation: Retired

Qualifications, experience and expertise: 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia in the private sector and Local and State Government.

Special responsibilities: Treasurer, Company Secretary, Chairman Finance and Audit Committee.

Interest in shares: Nil

**Stephen Donald Lee**

Deputy Chairman

Occupation: Retired/Deputy Shire President

Qualifications, experience and expertise: Deputy Shire President for the Shire of Murray. Retired Manager Administration and Finance, Education Department of Western Australia. President Peel Community Care Inc., Treasurer Lions Club of Pinjarra and Peel Trail Group Inc., Councillor Rivers Regional Council and Member Peel Harvey Catchment Council.

Special responsibilities: Member Finance and Audit committee, Member Premises committee.

Interest in shares: Nil

**Laurance Ian Galloway**

Director

Occupation: Company Director

Qualifications, experience and expertise: Business owner for over 40 years and a Rotary member for 27 years. Director of Pinjarra Auto Group and Galloway Engine Reconditioning.

Special responsibilities: Chairman Premises committee, Member Human Resources committee.

Interest in shares: 2,000

# Directors' report (continued)

**Directors (continued)**

**Sarah Elizabeth Perryer**

Director

Occupation: Process and Maintenance Coordinator

Qualifications, experience and expertise: Process and Maintenance Coordinator at Alcoa's Pinjarra Refinery. Commenced employment as a Chemical Engineer for five years before moving into a business improvement role for four years. Qualified Chemical Engineer and holds a Bachelor of Commerce (Finance). Experience in business improvement including strategic planning, problem solving along with constructive and creative thinking.

Special responsibilities: Member Marketing committee, Member Finance and Audit Committee.

Interest in shares: Nil

**Donald Francis Repacholi**

Director

Occupation: Retired

Qualifications, experience and expertise: National Sales and Marketing with Mercedes Benz (Aust) Pty Ltd. Holds a Certificate of Registration with the Real Estate Institute of Western Australia and Financial Planning Association Accreditation. Director Peel Zoo Foundation Pty Ltd, Chairman Ravenswood Community Group Inc. and 'Rodoreda Heights' Survey Strata Plan.

Special responsibilities: Member Marketing committee.

Interest in shares: Nil

**Shane Robert Rowley**

Director (Appointed 4 December 2018)

Occupation: Self-employed, Agricultural Manager/Farmer

Qualifications, experience and expertise: Local business owner and lifetime resident in the area.

Special responsibilities: Finance committee.

Interest in shares: Nil

**Warren Haugh**

Director (Appointed 4 December 2018)

Occupation: Production Schedules Newmont Goldcorp Boddington

Qualifications, experience and expertise: 10 years New Zealand Police Force, moved to Australia in 2006. 12 years living in Western Australia working within the mining industry. Dwellingup Primary School P&C President for last 5 years and co-ordinator of Dwellingup Pumpkin Festival for that time. An Austin Cove Baptist College P&F Executive.

Special responsibilities: Member Marketing committee.

Interest in shares: Nil

**Patrick Martin Cole**

Director (Resigned 7 January 2019)

Occupation: Community Development Officer (Youth)

Qualifications, experience and expertise: Previously employed as Senior Youth Officer, Youth Worker, Private Investigator, IT Lecturer and Actor/Scriptwriter. Heavily involved with the art, particularly in performance. Holds a Diploma of Counselling, Diploma of Community Services and Diploma of Project Management.

Special responsibilities: Member Human Resources committee, Member Marketing 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 Michael Frank Kidd. Michael was appointed to the position of secretary on 1 April 2015.

Mike has 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia. Experience in the private sector plus Local and State Government.

#### 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 the Bendigo and Adelaide Bank Limited. The business model operates on the understanding that the Bendigo and Adelaide Bank Limited shares the margins and commissions on new and existing business that is generated by Pinjarra Community Financial Services Limited (PCFSL). This and other income from interest on bank accounts and some direct contributions from the Bendigo and Adelaide Bank Limited make up the income of the PCFSL. The PCFSL is responsible for the employment of the banking staff and the running of the business. Bendigo and Adelaide Bank Limited provides all of the banking and customer services, which by their nature are both technical and confidential. The Board and Directors of the PCFSL are barred by law from having any access to the day to day banking operations or to the details of any of the customer records.

The Board's key objective is to grow the business and generate annual profits out of which it is able to pay a reasonable return to its shareholders in the form of dividends, as well as stimulate, support and fund genuine community projects through marketing, sponsorship and donations. Community projects are identified under a number of different categories:

- Genuine projects which will provide a significant benefit to a specific sector of the community
- Community events which will attract significant attention from the public
- Community projects which need initial funding to enable them to develop a base from which to grow and attract local or state government or private sector funding
- Projects which are not commercial or profit motivated.

It is a stated intention of the Board that sponsorship and financial support of projects should be used to leverage the business growth opportunities of the PCFSL.

In the year ended 30 June 2019, the PCFSL has returned to its community through marketing, sponsorships and donations a total amount of $69,236.

#### 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<br>$ | Year ended 30 June 2018<br>$ |
|---|---|
| 41,751 | 55,442 |

The profit of the company for the financial year, after provision for income tax, has decreased by 24.7% from the previous year. The 2018/19 financial year has been very challenging with the market for banking products being extremely competitive, particularly for loans and Term Deposits. PCFSL has achieved overall growth during the period largely due to Deposits, while Loan settlements and refinancing have reduced the overall business. The gain of overall banking business during the year, amounting to $1.6m, combined with reduced margins available on some products, has resulted in a reduction in the Income for the year of $64,800. As explained above, it is from the base banking business that the PCFSL earns its income through margins and commissions which are shared with the Bendigo and Adelaide Bank under the franchise agreement. There has been an decrease in expenditure compared to the previous year of 4.8%, amounting to $46,365. Much of the decrease in expenditure can be attributed to the cessation of the lease at 7c George Street which reduced rent by $27,556.

# Directors' report (continued)

**Operating results (continued)**

In 2018, the Board made a decision to terminate the leases on the building in Waroona and also on the 7c George Street building (former Community Branch premises). The decision resulted in significant savings in rent payments in the current and future years. The Board has continued to monitor and control expenditure in what has been an extremely challenging year for PCFSL and the banking industry in general. Despite the reduction in overall profit, the PCFSL has managed to increase its contributions to its Community by $4,974 compared to the previous year. However, the board has also decreased the fully franked dividend paid to its shareholders from 7 cents per share to 5 cents per share.

| | Year ended 30 June 2019 | | Year ended 30 June 2018 | |
|---|---|---|---|---|
| | **$** | **% change** | **$** | **% change** |
| Income | 972,327 | (6.25%) | 1,037,127 | (2.82%) |
| Expenditure | (914,291) | 4.83% | (960,655) | (3.35%) |
| Income tax | (16,285) | 22.56% | (21,030) | (44.48%) |
| **Profit after tax** | **41,751** | **(24.69%)** | **55,442** | **(44.48%)** |

Dividends paid or recommended

The Company declared and paid a fully franked dividend of 5 cents per share amounting to $19,708 during the year.

Financial position

The net assets of the Company have increased to $612,916 at 30 June 2019 from $590,873 as at 30 June 2018. Cash and Cash Equivalents have increased to $515,048 at 30 June 2019 from $437,870 at 30 June 2018.

The company continues to have a strong balance sheet which will enable the Board to strengthen and consolidate its business model through prudent business decisions in the coming years.

**Dividends**

It is the Board's objective to pay to shareholders a reasonable return on their investment out of after tax profits, in the form of dividends.

The PCFSL has paid fully franked dividends out of profits after tax as follows:

| | |
|---|---|
| 30 June 2013 | 5 cents per share |
| 30 June 2014 | 5 cents per share |
| 30 June 2015 | 5 cents per share |
| 30 June 2016 | 5 cents per share |
| 30 June 2017 | 5 cents per share |
| 30 June 2018 | 7 cents per share |
| 30 June 2019 | 5 cents per share |

In accordance with the Treasury Laws Amendment (Enterprise Tax Plan) Act 2017 the tax rate at which dividends have been franked was reduced to 27.5% the same as the previous 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.

# Directors' report (continued)

**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 Attended | | Committee Meetings Attended | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Marketing | | Human Resources | | Finance and Audit | |
| | A | B | A | B | A | B | A | B |
| Ernest Albert Hiddlestone | 12 | 11 | 7 | 5 | 2 | 2 | 2 | 2 |
| Michael Frank Kidd | 12 | 11 | - | - | - | - | 2 | 2 |
| Stephen Donald Lee | 12 | 11 | 7 | 6 | 2 | 2 | 2 | 1 |
| Laurence Ian Galloway | 12 | 6 | - | - | - | - | - | - |
| Sarah Elizabeth Perryer | 12 | 8 | 7 | 7 | - | - | - | - |
| Donald Francis Repacholi | 12 | 11 | 7 | 7 | 2 | 2 | - | - |
| Shane Robert Rowley (Appointed 4 December 2018) | 7 | 7 | - | - | - | - | 1 | 1 |
| Warren Haugh (Appointed 4 December 2018) | 7 | 7 | 5 | 4 | - | - | - | - |
| Patrick Martin Cole (Resigned 7 January 2019) | 6 | 6 | 5 | 3 | - | - | - | - |

A - eligible to attend
B - number attended

# Directors' report (continued)

### 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 finance & 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 finance & 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 11.

Signed in accordance with a resolution of the board of directors at Pinjarra, Western Australia on 4 September 2019.

E. A. Hiddlestone

**Ernest Albert Hiddlestone**
**Chairman**

# 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 Pinjarra Community Financial Services Limited**

As lead auditor for the audit of Pinjarra 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: 4 September 2019

**Joshua Griffin**
**Lead Auditor**

# Financial statements

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

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| Revenue from ordinary activities | 4 | 972,327 | 1,037,127 |
| Employee benefits expense | | (526,347) | (519,052) |
| Charitable donations, sponsorship, advertising and promotion | | (69,236) | (62,894) |
| Occupancy and associated costs | | (70,493) | (116,746) |
| Systems costs | | (32,740) | (34,060) |
| Depreciation and amortisation expense | 5 | (88,168) | (85,264) |
| Finance costs | 5 | (9,302) | (10,094) |
| General administration expenses | | (118,005) | (132,545) |
| **Profit before income tax expense** | | **58,036** | **76,472** |
| Income tax expense | 6 | (16,285) | (21,030) |
| **Profit after income tax expense** | | **41,751** | **55,442** |
| **Total comprehensive income for the year attributable to the ordinary shareholders of the company:** | | **41,751** | **55,442** |
| | | | |
| **Earnings per share** | | **¢** | **¢** |
| Basic earnings per share | 23 | 10.59 | 14.07 |
| **Earnings per share** | | **¢** | **¢** |

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet
## as at 30 June 2019

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 515,048 | 437,870 |
| Trade and other receivables | 8 | 88,674 | 82,013 |
| Current tax asset | 11 | - | 3,243 |
| **Total current assets** | | **603,722** | **523,126** |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 183,282 | 253,584 |
| Intangible assets | 10 | 27,049 | 38,241 |
| Deferred tax asset | 11 | 31,702 | 18,863 |
| **Total non-current assets** | | **242,033** | **310,688** |
| **Total assets** | | **845,755** | **833,814** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 56,168 | 50,976 |
| Current tax liabilities | 11 | 167 | - |
| Borrowings | 13 | 24,060 | 24,060 |
| Provisions | 14 | 28,591 | 23,247 |
| **Total current liabilities** | | **108,986** | **98,283** |
| **Non-current liabilities** | | | |
| Trade and other payables | 12 | 13,034 | 26,075 |
| Borrowings | 13 | 100,733 | 115,372 |
| Provisions | 14 | 10,086 | 3,211 |
| **Total non-current liabilities** | | **123,853** | **144,658** |
| **Total liabilities** | | **232,839** | **242,941** |
| **Net assets** | | **612,916** | **590,873** |
| **EQUITY** | | | |
| Issued capital | 15 | 385,805 | 385,805 |
| Retained earnings | 16 | 227,111 | 205,068 |
| **Total equity** | | **612,916** | **590,873** |

The accompanying notes form part of these financial statements.

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

| | Note | Issued capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2017 | | 385,805 | 177,217 | 563,022 |
| Total comprehensive income for the year | | - | 55,442 | 55,442 |
| **Transactions with owners in their capacity as owners:** | | | | |
| Shares issued during period | | - | - | - |
| Costs of issuing shares | | - | - | - |
| Dividends provided for or paid | 21(a) | - | (27,591) | (27,591) |
| **Balance at 30 June 2018** | | **385,805** | **205,068** | **590,873** |
| Balance at 1 July 2018 | | 385,805 | 205,068 | 590,873 |
| Total comprehensive income for the year | | - | 41,751 | 41,751 |
| **Transactions with owners in their capacity as owners:** | | | | |
| Shares issued during period | | - | - | - |
| Costs of issuing shares | | - | - | - |
| Dividends provided for or paid | 21(a) | - | (19,708) | (19,708) |
| **Balance at 30 June 2019** | | **385,805** | **227,111** | **612,916** |

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows
## for the year ended 30 June 2019

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 1,061,878 | 1,152,571 |
| Payments to suppliers and employees | | (903,177) | (965,556) |
| Interest received | | 5,706 | 1,916 |
| Interest paid | | (9,302) | (10,094) |
| Income taxes paid | | (25,714) | (58,576) |
| **Net cash provided by operating activities** | **17** | **129,391** | **120,261** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (6,674) | (65,388) |
| Proceeds from property, plant and equipment | | - | 7,727 |
| Payments for intangible assets | | (11,192) | (11,192) |
| **Net cash used in investing activities** | | **(17,866)** | **(68,853)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (14,639) | (22,010) |
| Dividends paid | 21(a) | (19,708) | (27,591) |
| **Net cash used in financing activities** | | **(34,347)** | **(49,601)** |
| **Net increase in cash held** | | **77,178** | **1,807** |
| Cash and cash equivalents at the beginning of the financial year | | 437,870 | 436,063 |
| **Cash and cash equivalents at the end of the financial year** | **7(a)** | **515,048** | **437,870** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

For year ended 30 June 2019

## Note 1. Summary of significant accounting policies

**a) Basis of preparation**

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

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

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

# Notes to the financial statements (continued)

## 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 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 and Community Resource Centre. 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 $573,300.

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 Pinjarra, 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.

# 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 (continued)

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

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

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

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

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

**b) Revenue**

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

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

Revenue calculation

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

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

# Notes to the financial statements (continued)

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

**b) Revenue (continued)**

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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).

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.

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

**b) Revenue (continued)**

Ability to change financial return (continued)

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 day's 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 unpaid (or unrefunded).

Deferred tax

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

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

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

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

# 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 are reviewed at the end of each annual reporting period.

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

- leasehold improvements 5 - 15 years
- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

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

**h) Intangibles**

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

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

**i) Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 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 paragraph 63.

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

# Notes to the financial statements (continued)

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

**k) Financial instruments (continued)**

Classification and subsequent measurement (continued)

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or 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.

# Notes to the financial statements (continued)

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

**k) Financial instruments (continued)**

Impairment (continued)

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

**l) Leases**

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

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

**m) Provisions**

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

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

**n) Issued capital**

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

**o) Earnings per share**

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

# Notes to the financial statements (continued)

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

**p) Goods and Services Tax**

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables 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 and Adelaide Bank Limited receivable as at 30 June 2019.

## Note 2. Financial risk management (continued)

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

# Notes to the financial statements (continued)

## Note 3. Critical accounting estimates and judgements (continued)

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

# Notes to the financial statements (continued)

## Note 4. Revenue from ordinary activities

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Operating activities: | | |
| - gross margin | 787,969 | 821,040 |
| - services commissions | 76,922 | 68,669 |
| - fee income | 62,376 | 90,260 |
| - market development fund | 25,000 | 25,000 |
| **Total revenue from operating activities** | **952,267** | **1,004,969** |
| Non-operating activities: | | |
| - interest received | 8,058 | 2,397 |
| - rental revenue | 11,987 | 11,276 |
| - other revenue | 15 | 18,485 |
| **Total revenue from non-operating activities** | **20,060** | **32,158** |
| **Total revenues from ordinary activities** | **972,327** | **1,037,127** |

## Note 5. Expenses

| | | |
|---|---|---|
| Depreciation of non-current assets: | | |
| - plant and equipment | 13,145 | 12,771 |
| - leasehold improvements | 59,669 | 57,397 |
| - motor vehicle | 4,162 | 3,904 |
| Amortisation of non-current assets: | | |
| - franchise agreement | 11,192 | 11,192 |
| | **88,168** | **85,264** |
| Finance costs: | | |
| **- interest paid** | **9,302** | **10,094** |
| **Bad debts** | **432** | **864** |
| **Loss on disposal of asset** | **-** | **3,261** |

## Note 6. Income tax expense

| | | |
|---|---|---|
| The components of tax expense comprise: | | |
| - Current tax | 29,125 | 36,007 |
| - Movement in deferred tax | (12,840) | (14,977) |
| | **16,285** | **21,030** |

# Notes to the financial statements (continued)

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Note 6. Income tax expense (continued)** | | |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows | | |
| Operating profit | 58,036 | 76,472 |
| Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%) | 15,960 | 21,030 |
| Add tax effect of: | | |
| - non-deductible expenses | 325 | 897 |
| - timing difference expenses | 12,840 | 15,328 |
| - other deductible expenses | - | (1,248) |
| | **29,125** | **36,007** |
| Movement in deferred tax | (12,840) | (14,977) |
| | **16,285** | **21,030** |

## Note 7. Cash and cash equivalents

| | | |
|---|---|---|
| Cash at bank and on hand | 127,426 | 55,954 |
| Term deposits | 387,622 | 381,916 |
| | **515,048** | **437,870** |

**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 | 127,426 | 55,954 |
| Term deposits | 387,622 | 381,916 |
| | **515,048** | **437,870** |

## Note 8. Trade and other receivables

| | | |
|---|---|---|
| Trade receivables | 73,873 | 74,185 |
| Prepayments | 7,643 | 7,347 |
| Other receivables and accruals | 7,158 | 481 |
| | **88,674** | **82,013** |

| | 2019 $ | 2018 $ |
|---|---|---|

## Note 9. Property, plant and equipment

| | 2019 $ | 2018 $ |
|---|---|---|
| Leasehold improvements | | |
| At cost | 300,897 | 297,733 |
| Less accumulated depreciation | (166,588) | (106,920) |
| | **134,309** | **190,813** |
| Plant and equipment | | |
| At cost | 81,565 | 78,056 |
| Less accumulated depreciation | (50,181) | (37,036) |
| | **31,384** | **41,020** |
| Motor vehicles | | |
| At cost | 22,414 | 22,414 |
| Less accumulated depreciation | (4,825) | (663) |
| | **17,589** | **21,751** |
| **Total written down amount** | **183,282** | **253,584** |
| **Movements in carrying amounts:** | | |
| Leasehold improvements | | |
| Carrying amount at beginning | 190,814 | 210,655 |
| Additions | 3,164 | 41,361 |
| Disposals | - | (3,805) |
| Less: depreciation expense | (59,669) | (57,397) |
| **Carrying amount at end** | **134,309** | **190,814** |
| Plant and equipment | | |
| Carrying amount at beginning | 41,020 | 52,177 |
| Additions | 3,510 | 1,613 |
| Disposals | - | - |
| Less: depreciation expense | (13,145) | (12,770) |
| **Carrying amount at end** | **31,385** | **41,020** |
| Motor vehicles | | |
| Carrying amount at beginning | 21,750 | 10,423 |
| Additions | - | 22,414 |
| Disposals | - | (7,183) |
| Less: depreciation expense | (4,162) | (3,904) |
| **Carrying amount at end** | **17,588** | **21,750** |
| **Total written down amount** | **183,282** | **253,584** |

# Notes to the financial statements (continued)

| | 2019 $ | 2018 $ |
|---|---|---|

## Note 10. Intangible assets

| Franchise fee | | |
|---|---|---|
| At cost | 205,961 | 205,961 |
| Less: accumulated amortisation | (178,912) | (167,720) |
| **Total written down amount** | **27,049** | **38,241** |

## Note 11. Tax

| **Current:** | | |
|---|---|---|
| **Income tax payable/(refundable)** | **167** | **(3,243)** |
| **Non-current:** | | |
| Deferred tax assets | | |
| - accruals | 797 | 770 |
| - employee provisions | 11,140 | 7,790 |
| - property, plant and equipment | 22,646 | 12,455 |
| | **34,583** | **21,015** |
| Deferred tax liability | | |
| - accruals | 779 | 132 |
| - deductible prepayments | 2,102 | 2,020 |
| | **2,881** | **2,152** |
| **Net deferred tax asset** | **31,702** | **18,863** |
| **Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income** | **(12,839)** | **(14,977)** |

## Note 12. Trade and other payables

| **Current:** | | |
|---|---|---|
| Trade creditors | 13,328 | 13,325 |
| Other creditors and accruals | 42,840 | 37,651 |
| | **56,168** | **50,976** |
| **Non-current:** | | |
| **Trade creditors** | **13,034** | **26,075** |

| | 2019 $ | 2018 $ |
|---|---|---|

## Note 13. Borrowings

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current:** | | |
| **Bank loans** | **24,060** | **24,060** |
| **Non-current:** | | |
| **Bank loans** | **100,733** | **115,372** |

The bank loan is repayable monthly with interest recognised at an average rate of 7.05% (2018: 6.70%). The loan is secured by a fixed and floating charge over the company's assets.

## Note 14. Provisions

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current:** | | |
| **Provision for annual leave** | **28,591** | **23,247** |
| **Non-current:** | | |
| **Provision for long service leave** | **10,086** | **3,211** |

## Note 15. Issued capital

| | 2019 $ | 2018 $ |
|---|---|---|
| 394,160 ordinary shares fully paid (2018: 394,160) | 394,160 | 394,160 |
| Less: equity raising expenses | (8,355) | (8,355) |
| | **385,805** | **385,805** |

**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).

## Note 15. Issued capital (continued)

**Rights attached to shares (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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 243. As at the date of this report, the company had 257 shareholders.

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

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

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

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

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Note 16. Retained earnings** | | |
| Balance at the beginning of the financial year | 205,068 | 177,217 |
| Net profit from ordinary activities after income tax | 41,751 | 55,442 |
| Dividends provided for or paid | (19,708) | (27,591) |
| **Balance at the end of the financial year** | **227,111** | **205,068** |

## Note 17. Statement of cash flows

| | 2019 $ | 2018 $ |
|---|---|---|
| Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities | | |
| Profit from ordinary activities after income tax | 41,751 | 55,442 |
| Non cash items: | | |
| - depreciation | 76,976 | 74,072 |
| - amortisation | 11,192 | 11,192 |
| - loss on disposal of asset | - | 3,261 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | (6,661) | 15,738 |
| - (increase)/decrease in other assets | 1,596 | (18,881) |
| - decrease in payables | (7,849) | (6,345) |
| - increase in provisions | 12,219 | 5,108 |
| - increase/(decrease) in tax liabilities | 167 | (19,326) |
| **Net cash flows provided by operating activities** | **129,391** | **120,261** |

## Note 18. Leases

| | | |
|---|---|---|
| Operating lease commitments - lessee | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments: | | |
| - not later than 12 months | 35,831 | 39,331 |
| - between 12 months and 5 years | 143,325 | 143,325 |
| - greater than 5 years | 35,831 | 71,663 |
| **Minimum lease payments payable** | **214,987** | **254,319** |

The lease on the 35 George St premises is a non-cancellable lease with a ten year term, with rent payable monthly in advance. The current lease expires on 1 June 2025 and has one further option of 10 years.

The lease on the Waroona Community Centre lease was terminated in May 2019. The lease was due to expire on 15 January 2020.

# Notes to the financial statements (continued)

| | 2019 $ | 2018 $ |
|---|---|---|
| **Note 18. Leases (continued)** | | |
| Operating lease commitments - lessor | | |
| The future minimum lease payments receivable under a non-cancellable operating lease in the aggregate and for each of the following periods: | | |
| Payable - minimum lease payments: | | |
| - not later than 12 months | 10,106 | 11,024 |
| - between 12 months and 5 years | - | 10,106 |
| - greater than 5 years | - | - |
| **Minimum lease payments receivable** | **10,106** | **21,130** |

The operating sub-lease is a non-cancellable lease with a five year term commencing 1 June 2015, with rent receivable monthly in advance on the first day of each calendar month. The sub-lessee has one further option of five years.

## 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 |
| - share registry services | 3,415 | 4,507 |
| - non audit services | 2,000 | 2,235 |
| | **10,015** | **11,142** |

## Note 20. Director and related party disclosures

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

Ernest Albert Hiddlestone
Michael Frank Kidd
Stephen Donald Lee
Laurence Ian Galloway
Sarah Elizabeth Perryer
Donald Francis Repacholi
Shane Robert Rowley (Appointed 4 December 2018)
Warren Haugh (Appointed 4 December 2018)
Patrick Martin Cole (Resigned 7 January 2019)

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.

# Notes to the financial statements (continued)

## Note 20. Director and related party disclosures (continued)

| Directors' Shareholdings | 2019 | 2018 |
|---|---|---|
| Ernest Albert Hiddlestone | 300 | 300 |
| Michael Frank Kidd | - | - |
| Stephen Donald Lee | - | - |
| Laurence Ian Galloway | 2,000 | 2,000 |
| Sarah Elizabeth Perryer | - | - |
| Donald Francis Repacholi | - | - |
| Shane Robert Rowley (Appointed 4 December 2018) | - | - |
| Warren Haugh (Appointed 4 December 2018) | - | - |
| Patrick Martin Cole (Resigned 7 January 2019) | - | - |

There was no movement in directors' shareholdings during the year.

## Note 21. Dividends provided for or paid

| | Year ended 30 June 2019 | | Year ended 30 June 2018 | |
|---|---|---|---|---|
| **a. Dividends paid during the year** | **Cents per share ¢** | **Total $** | **Cents per share ¢** | **Total $** |
| Fully franked dividend | 5 | 19,708 | 7 | 27,591 |

The tax rate at which dividends have been franked is 27.5%.

| | 2019 $ | 2018 $ |
|---|---|---|
| **b. Franking account balance** | | |
| Franking credits available for subsequent reporting periods are: | | |
| - franking account balance as at the end of the financial year | 183,334 | 116,984 |
| - franking credits that will arise from payment of income tax as at the end of the financial year | 167 | 19,326 |
| - franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year | - | - |
| **Franking credits available for future financial reporting periods:** | **183,501** | **136,310** |
| - franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period | - | - |
| **Net franking credits available** | **183,501** | **136,310** |

## Note 22. Key management personnel disclosures

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

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

| | 2019 $ | 2018 $ |
|---|---|---|
| **Note 23. Earnings per share** | | |
| (a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share | 41,751 | 55,442 |

| | Number | Number |
|---|---|---|
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 394,160 | 394,160 |

## Note 24. Events occurring after the reporting date

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

## Note 25. Contingent liabilities and contingent assets

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

## Note 26. Segment reporting

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

## Note 27. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

**Registered Office**
35 George Street
Pinjarra WA 6208

**Principal Place of Business**
35 George Street
Pinjarra WA 6208

## Note 28. Financial instruments

**Financial Instrument Composition and Maturity Analysis**

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

| | Floating interest | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| **Financial instrument** | **2019 $** | **2018 $** | **2019 $** | **2018 $** | **2019 $** | **2018 $** | **2019 $** | **2018 $** | **2019 $** | **2018 $** | **2019 %** | **2018 %** |
| **Financial assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 127,226 | 55,754 | 387,622 | 381,916 | - | - | - | - | 200 | 200 | 1.61 | 0.50 |
| Receivables | - | - | - | - | - | - | - | - | 73,873 | 74,185 | N/A | N/A |
| **Financial liabilities** | | | | | | | | | | | | |
| Interest bearing liabilities | 124,793 | 139,432 | - | - | - | - | - | - | - | - | 7.07 | 6.70 |
| Payables | - | - | - | - | - | - | - | - | 13,328 | 13,325 | N/A | N/A |

**Net Fair Values**

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

**Credit Risk**

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

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

**Interest Rate Risk**

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

**Sensitivity Analysis**

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

# Notes to the financial statements (continued)

## Note 28. Financial instruments (continued)

**Sensitivity Analysis (continued)**

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

| | 2019 $ | 2018 $ |
|---|---|---|
| Change in profit/(loss) | | |
| Increase in interest rate by 1% | 3,901 | 2,982 |
| Decrease in interest rate by 1% | (3,901) | (2,982) |
| Change in equity | | |
| Increase in interest rate by 1% | 3,901 | 2,982 |
| Decrease in interest rate by 1% | (3,901) | (2,982) |

# Directors' declaration

In accordance with a resolution of the directors of Pinjarra 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 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.

E. A. Hiddlestone

**Ernest Albert Hiddlestone**
**Chairman**

Signed on the 4th 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 Pinjarra Community Financial Services Limited

### Report on the audit of the financial report

**Our opinion**
In our opinion, the accompanying financial report of Pinjarra 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 2019 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards.

**What we have audited**
Pinjarra 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 company.

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

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

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

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

# Independent audit report (continued)

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

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

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

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

**Directors' responsibility for the financial report**

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

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

**Auditor's responsibility for the audit of the financial report**

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

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

**Andrew Frewin Stewart**
61 Bull Street, Bendigo, 3550
Dated: 4 September 2019

**Joshua Griffin**
**Lead Auditor**

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