Annual Report 2019

Port Sorell & Latrobe
Community Enterprises Ltd
ABN 71 161 238 231

Contents

Chairman's Report

For year ending 30 June 2019

This is my 5th Annual Report that covers a full 12 months of the operation of our branch and agency.

2018-19 was a challenging year for the banking industry, for Bendigo and Adelaide Bank and for your company as a Community Bank franchisee. The continuing trend of lower margins fuelled by lowering interest rates for both lenders and investors, coupled with the lowest wage growth since 2013[1] has continued to erode business confidence. As an outcome from the findings of the Royal Commission into Misconduct in the Financial Services Industry extreme caution and conservatism has resulted in the financial and banking processes and systems.

During the 2018/19 year our customer account numbers increased by over 10% and our gross income increased by 3.7%. Despite this we are witnessing our customers reducing debt; savings deposits are being eroded due to the low rates of interest now prevailing. This has resulted in a reduction by 1.7% of the overall funds managed through our branch which drives the underlying potential of our longer-term performance.

The total loss after income tax credit reduced from $89,429 in the 2017/18 year to $78,158 in the 2018/19 year, a 12.6% improvement. Current predictions are that the Branch needs to grow its funds managed by a further $15million to reach profitability. We are currently 75% of the way there!

Achieving a profitable outcome is our priority. Your Board has remained active in seeking innovative ways to grow the business in the Latrobe Municipality with the opportunity to do so being enhanced through access to the Latrobe agency.

Our Vision is to become a major financial service provider to the residents, businesses, clubs and organisations in the Latrobe Municipality, our customers. Our Community Bank is driven by our difference in the banking environment with our community connection and the empowerment of our staff and Board to create a positive impact in our community.

During the past period we have increased our involvement in the Latrobe Municipality now having reinvested in excess of $88,000, 40% of that being in the Latrobe township and the balance throughout Port Sorell and the rest of the 7307 region.

I am pleased to report that the amount and number of sponsorships continue to increase and that we have witnessed some great results from relatively small financial investments as these contributions have empowered individuals and organisations to take a step forward and achieve goals that may not have been achieved without the Community Bank support.

Nationally, we now have 320 Community Banks that have returned $220 million to their communities, of which approximately $6 million has been distributed in Tasmania.

During the ensuing fiscal period, your Board is hoping that our sponsorship budget will be oversubscribed with requests to support worthy causes.

[1] Parliament of Australia, research papers, "The extent & causes of the wage growth slowdown in Australia", first 2 dot points. Author: Geoff Gilfillan. Published 9th April 2019.

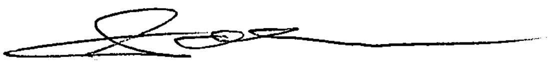
Chairman's Report (cont.)

In the current challenging environment, I call on all our shareholders to support your Community Bank and place ALL your business with us, either through the Port Sorell Branch or our Latrobe agency.

I also ask that, as a shareholder, you introduce your family and friends so that they too may have those discussions about their financial goals and needs.

On behalf of the Board of directors, I would like to recognise and thank our staff and all those volunteering on our Board for their support and dedication over the past 12 months.

Together we will continue to build our capacity to make a positive difference in our community.



Jack Van Tatenhove
Chairman

Manager's Report

For year ending 30 June 2019

Our Strategy is to feed into the prosperity of our customers and communities and not off it. A simple business model where Bendigo Bank shares revenue 50/50 off all Banking held with our Community Bank. Then a requirement that after operating our business we return 100% of all profits to our community via 80% in sponsorships and grants and 20% to local shareholders. Our greatest point of difference is...**Your banking business creates income for Your Community Bank, allowing us to return those profits back to the Port Sorell, Latrobe and surrounding areas**.

I am proud that we can continue to provide a full-service Bank in Port Sorell for the people of the area. The only Bank to offer this.

The range of financial services we provide, through Bendigo Bank, ensures we can meet our customer's needs; placing a high value on existing and potential customer relationships. We offer a full range of financial services for Consumer and Business customers including transaction accounts, EFTPOS, Insurance, credit cards, personal loans, home loans and business loans.

The Port Sorell district has a vast cross section of consumers and industry types. Across these segments, retail banking, business banking and rural banking my colleagues can ensure the region is supported by a high level of skill and experience. Thank you to Sarah, Scott, Mark, Mike, Dean and Darren for your ongoing support.

Despite not being in profit (we are approximately 75% to the level of business we need to be profitable) we have still been able to return approximately $90,000 to the area through a range of projects which has included the Port Sorell Defence Memorial, Port Sorell Surf Club, Latrobe Football Club, all volunteer emergency services units within the Latrobe Municipality and a majority of other sporting and community groups.

A big thanks to the great staff – Helen and Gaby who not only provide great service at your Community Bank but also give their time in supporting a wide range of community events and activities. This is the benefit of having a local business that employs and pays wages to staff who live and work in the town. We also thank Jeanice for her time spent in the branch and continued support now that she is working full time at the Latrobe Agency.

In addition to our Branch we also support the people and a small business in Latrobe (The Latrobe Newsagency) through our Agency which is open 5 days a week for transactional banking, we provide advice for all your financial needs through the staff of the Port Sorell District Community Bank. A big thanks to Cherylene and the staff Myles, Jeanice & Angela at the Latrobe Agency.

On a sad note we farewelled our Branch Manager of the last 5 years, Phil Martin, who has decided to pursue a new direction in his work life. We thank Phil for his efforts over the last 5 years.

Thank you to The Board of Directors. Led by Chair Jack van Tatenhove. Your incredible sense of community spirit and generosity in terms of the numerous hours of volunteering you do to build a sustainable Community Business for all the people in our community is amazing.

Finally, we wish to thank all our customers and shareholders for their support, and we trust that our personal service and commitment to the community will ensure the continued future success of the Port Sorell District Community Bank and Latrobe Agency. We will continue to work hard to ensure the Community Bank is able to support the people who actively support it.

Julie Swanson

Julie Swanson
Acting Branch Manager

Director's Report

For year ending 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:

Jacobus Cornelis Arie Van Tatenhove
Chairman
Occupation: Retired
Qualifications, experience and expertise: Diploma in Management and Cert IV Training and Assessment. Senior Fellow Financial Services Institute of Australia. Director and Chairman since 2012 and has been involved with the Port Sorell Community Bank since 2010. 39 years experience in banking and financial services in the equipment finance, consumer, retail, construction, and rural industries. He also has 10 years experience advising businesses on corporate and financial strategies, governance, and business efficiency. He is also Director and Treasurer of the Volunteer Ambulance Officers Association of Tasmania, and active volunteer at Port Sorell's Ambulance officer base.
Special responsibilities: Chairman of Board of Directors, member of Governance and Strategy Committee, Human Resources Committee
Interest in shares: 2,002

Robert William Atkinson
Director/Treasurer/Secretary
Occupation: Chartered Accountant
Qualifications, experience and expertise: Fellow of Chartered Accountants Australia and New Zealand, past President of Institute of Chartered Accountants in Australia. Registered tax agent, company auditor, and SMSF auditor. Owner of accountancy and manufacturing businesses. Member of the Banksia Facilities Management Committee and previous chair of the Camp Banksia Management Authority. Chair of Devonport and Central Coast Councils Shared Audit Panel.
Special responsibilities: Treasurer, Secretary, Governance & Strategy Committee
Interest in shares: 5,001

Robert Owen Beveridge
Director
Occupation: Retired
Qualifications, experience and expertise: Former member of Latrobe Council for 14 years. Past President of Latrobe Apex and Rotary Clubs. Past farmer for 30 years and stock agent for 33 years. Past National President of Apex 40.
Special responsibilities: Sponsorship and Marketing Committee, Human Resources Committee
Interest in shares: 2,001

Jennifer Margaret Donnelly
Director
Occupation: Day Spa Owner/Therapist
Qualifications, experience and expertise: Advanced Diploma of Business. Former CEO of Lifeline North West Tasmania for 7 years. Associate Diploma of Family Therapy Counselling and Diploma of Remedial Massage.
Special responsibilities: Sponsorship and Marketing Committee, Human Resources Committee
Interest in shares: 1,001

Catherine Therese Arnold
Director
Occupation: Business Proprietor
Qualifications, experience and expertise: 29 years experience in the operation of a printing business and 13 years involvement in vineyard establishment and cellar door operations. Member of several tourism group committees.
Special responsibilities: Sponsorship and Marketing Committee, Human Resources Committee
Interest in Shares: 10,000

Director's Report (cont.)

Directors *(continued)*

Whitney Lee Banfield
Director
Occupation: Careers Advisor
Qualifications, experience and expertise: Bachelor of Commerce, member of Chartered Accountants Australia & New Zealand and Advanced Diploma of Financial Services. Member of Devonport Chamber Of Commerce Young Leaders Committee, member of Sally Blenkhorn Foundation. Former employee of Crowe Horwath and current employee of St Brendan-Shaw College.
Special responsibilities: Nil
Interest in shares: Nil

Gregory Ian Donald
Director
Occupation: Operations Manager
Qualifications, experience and expertise: Experience in management, finance, HR, operational and project management
Currently responsible for the management and operation of the Tasmanian Gas Pipeline in Victoria and Tasmania
Board member of Latrobe Football Club. Former board member of DBYD VIC TAS and Battle Scars Foundation. Involved in a range of community and sporting groups including junior sport, football, cricket, and soccer Member of Cemetery Working Group.
Special responsibilities: Sponsorship and Marketing Committee
Interest in shares: Nil

Gina Deanne Hills
Director *(Appointed 27th June 2019)*
Occupation: ICT Support Officer/ Professional
Qualifications, experience and expertise: Financial Officer/Treasurer - Devonport Basketball Council; Junior Commissioner - Basketball Tasmania & NWBU; Current Chair of JCC - Latrobe and Kentish Council; ASU Union Delegate;
Ambassador - Make a Wish NW/ West Coast & King Island; Fundraising Event Management supporting ADF Veterans.
Special responsibilities: Nil
Interest in shares: Nil

Company Secretary

The company secretary is Robert William Atkinson. Robert was appointed to the position of secretary on 24 April 2014.

Qualifications, experience and expertise: Rob is a Chartered Accountant with over 50 years experience in public practice. He is a registered company auditor and has chaired audit committees and the boards of small and medium-sized organisations.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
(78,158)	(89,429)

Director’s Report (cont.)

Dividends

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

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 18 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' Meetings

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

	Board Meetings Attended		Sponsorship & Marketing Sub-Committee	
	Eligible	Attended	Eligible	Attended
Jacobus Cornelus Arie Van Tatenhove	11	10	-	-
Robert William Atkinson	11	10	-	-
Robert Owen Beveridge	11	6	11	9
Jennifer Margaret Donnelly	11	9	11	10
Catherine Therese Arnold	11	11	11	11
Whitney Lee Banfield	11	7	-	-
Gregory Ian Donald	11	6	11	9
Gina Deanne Hills *(Appointed 27 June 2019)*	-	-	-	-

Director's Report (cont.)

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

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 5.

Signed in accordance with a resolution of the board of directors at Port Sorell, Tasmania on 25 September 2019.

Jacobus Cornelis Arie Van Tatenhove, 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 Port Sorell & Latrobe Community Enterprises Ltd

As lead auditor for the audit of Port Sorell & Latrobe Community Enterprises Ltd 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: 25th 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	355,552	342,975
Employee benefits expense		(248,566)	(252,679)
Charitable donations, sponsorship, advertising and promotion		(25,164)	(28,042)
Occupancy and associated costs		(43,060)	(45,067)
Systems costs		(32,911)	(32,904)
Depreciation and amortisation expense	5	(30,717)	(34,555)
Finance costs	5	(8,959)	(5,980)
General administration expenses		(66,373)	(61,590)
Loss before income tax credit		(100,198)	(117,842)
Income tax credit	6	22,040	28,413
Loss after income tax credit		(78,158)	(89,429)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(78,158)	(89,429)
Earnings per share		¢	¢
Basic earnings per share	20	(8.81)	(10.08)

The accompanying notes form part of the financial statements

Financial Statements (cont.)

Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Trade and other receivables	7	6,010	10,123
Total current assets		6,010	10,123
Non-current assets			
Property, plant and equipment	8	170,636	177,203
Intangible assets	9	61,702	14,961
Deferred tax asset	10	239,015	216,975
Total non-current assets		471,353	409,139
Total assets		477,363	419,262
LIABILITIES			
Current liabilities			
Trade and other payables	11	25,789	15,680
Borrowings	12	257,729	185,641
Total current liabilities		283,518	201,321
Non-Current Liabilities			
Trade and other payables	11	54,062	-
Total Non-Current Liabilities		54,062	-
Total liabilities		337,580	201,321
Net assets		139,783	217,941
EQUITY			
Issued capital	13	848,286	848,286
Accumulated losses	14	(708,503)	(630,345)
Total equity		139,783	217,941

The accompanying notes form part of the financial statements

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

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017	848,286	(540,916)	307,370
Total comprehensive income for the year	-	(89,429)	(89,429)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2018	**848,286**	**(630,345)**	**217,941**
Balance at 1 July 2018	848,286	(630,345)	217,941
Total comprehensive income for the year	-	(78,158)	(78,158)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2019	**848,286**	**(708,503)**	**139,783**

The accompanying notes form part of the financial statements

Financial Statements (cont.)

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		368,057	377,818
Payments to suppliers and employees		(421,285)	(444,176)
Interest paid		(8,959)	(5,980)
Net cash used in operating activities	15	**(62,187)**	**(72,338)**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,215)	-
Payments for intangible assets		(3,686)	-
Net cash used in investing activities		**(9,901)**	**-**
Net decrease in cash held		**(72,088)**	**(72,338)**
Cash and cash equivalents at the beginning of the financial year		(185,641)	(113,303)
Cash and cash equivalents at the end of the financial year	12(a)	**(257,729)**	**(185,641)**

The accompanying notes form part of the 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 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 (cont.)

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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 lease of its branch. The nature of expenses related to this lease 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 lease.

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $195,605.

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 Port Sorell and agency at Latrobe, Tasmania.

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.

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/agency
- 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.

Going concern

The net assets of the company as at 30 June 2019 were $139,783 and the loss made for the year was $78,158, bringing accumulated losses to $708,503.

In addition:	$
Total assets were	477,363
Total liabilities were	337,580
Operating cash flows were	(62,187)

There was a 12.6% decrease in the loss recorded for the financial year ended 30 June 2019 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of $300,000 and was drawn to $257,729 as at 30 June 2019.

The current interest rate on the overdraft is 3.205%. As a result $8,959 of interest expense was incurred during the 2019 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 1 to 4. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

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

a) Basis of preparation *(continued)*

Going concern (continued)

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

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

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

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

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

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

b) Revenue

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

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

Revenue calculation

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

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

Core banking products

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

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

b) Revenue *(continued)*

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.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

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

b) Revenue *(continued)*

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

The company has entered into an agreement with Bendigo & Adelaide Bank Limited for the provision of all employee services required in the operation of its franchise business. All employee entitlements including salaries, annual leave, sick leave, long service leave and workers' compensation claims are the responsibility of Bendigo & Adelaide Bank Limited as is the payment of any related employee costs such as payroll tax, superannuation contributions and workers' compensation insurance premiums. A monthly charge for the services provided is made to the company by Bendigo & Adelaide Bank Limited including actual salaries paid and an appropriate surcharge for the other accrued entitlements and on-costs.

Notes to the Financial Statements (cont.)

For year ended 30 June 2019

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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.

Classification and subsequent measurement (continued)

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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

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

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

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

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

k) Financial instruments *(continued)*

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

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

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

Notes to the Financial Statements (cont.)

For year ended 30 June 2019

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

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

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

Note 2. Financial risk management *(continued)*

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

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.

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

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.

Note 4. Revenue from ordinary activities

	2019	2018
	$	$
Operating activities:		
- gross margin	242,768	220,502
- services commissions	49,250	51,515
- fee income	23,534	26,413
- market development fund	40,000	44,545
Total revenues from ordinary activities	355,552	342,975

Notes to the Financial Statements (cont.)

For year ended 30 June 2019

Note 5. Expenses

	2019	2018
	$	$
Depreciation of non-current assets:		
- plant and equipment	9,653	10,621
- leasehold improvements	1,885	1,934
Amortisation of non-current assets:		
- franchise agreement	2,063	2,000
- establishment fee	13,602	20,000
- renewal processing fee	3,514	-
	30,717	34,555
Finance costs:		
- interest paid	8,959	5,980
Bad debts	-	77
Loss on sale of fixed assets	1,245	-

Note 6. Income tax credit

	2019	2018
The components of tax credit comprise:		
- Future income tax benefit attributable to losses	(22,038)	(28,547)
- Movement in deferred tax	(2)	134
	(22,040)	(28,413)
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows		
Operating loss	(100,198)	(117,842)
Prima facie tax on loss from ordinary activities at 27.5% (2018: 27.5%)	(27,554)	(32,404)
Add tax effect of:		
- non-deductible expenses	5,514	6,140
- timing difference expenses	27	55
- other deductible expenses	(25)	(2,338)
	(22,038)	(28,547)
Movement in deferred tax	(2)	134
	(22,040)	(28,413)

Note 7. Trade and other receivables

	2019	2018
Trade receivables	-	3,812
Prepayments	5,204	6,311
Other receivables and accruals	806	-
	6,010	10,123

Notes to the Financial Statements (cont.)

For year ended 30 June 2019

Note 8. Property, plant and equipment	2019	2018
	$	$
Leasehold improvements		
At cost	84,145	84,145
Less accumulated depreciation	(10,599)	(8,714)
	73,546	75,431
Plant and equipment		
At cost	163,078	158,913
Less accumulated depreciation	(65,988)	(57,141)
	97,090	101,772
Total written down amount	170,636	177,203
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	75,431	77,366
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,886)	(1,935)
Carrying amount at end	73,545	75,431
Plant and equipment		
Carrying amount at beginning	101,772	112,393
Additions	6,215	-
Disposals	(1,245)	-
Less: depreciation expense	(9,651)	(10,621)
Carrying amount at end	97,091	101,772
Total written down amount	170,636	177,203

Note 9. Intangible assets	2019	2018
Franchise fee		
At cost	10,987	10,000
Less: accumulated amortisation	(703)	(8,640)
	10,284	1,360
Establishment fee		
At cost	-	100,000
Less: accumulated amortisation	-	(86,399)
	-	13,601
Renewal processing fee		
At cost	54,932	-
Less: accumulated amortisation	(3,514)	-
	51,418	-
Total written down amount	61,702	14,961

Notes to the Financial Statements (cont.)

For year ended 30 June 2019

Note 10. Tax	2019	2018
	$	$
Non-current:		
Deferred tax assets		
- accruals	797	770
- borrowing expenses	-	25
- tax losses carried forward	238,218	216,180
	239,015	216,975
Net deferred tax asset	239,015	216,975
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(22,040)	(28,413)

Note 11. Trade and other payables		
Current:		
Trade creditors	8,145	2,902
Other creditors and accruals	17,644	12,778
	25,789	15,680
Non-Current:		
Other creditors and accruals	54,062	-

Note 12. Borrowings		
Current:		
Bank overdraft	257,729	185,641

The bank overdraft has an approved limit of $300,000 and is secured by a fixed and floating charge over the company's assets. Interest is charged according to the Business Solutions Non-Residential Security varying interest rate per agreement with Bendigo and Adelaide Bank Limited. The current interest rate is 3.205% (2018: 4.111%) per annum.

Note 12.(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:

Bank overdraft	(257,729)	(185,641)

Notes to the Financial Statements (cont.)

For year ended 30 June 2019

Note 13. Issued capital	2019	2018
	$	$
887,362 ordinary shares fully paid (2018: 887,362)	887,362	887,362
Less: equity raising expenses	(39,076)	(39,076)
	848,286	848,286

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if 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 193. As at the date of this report, the company had 212 shareholders.

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

Notes to the Financial Statements (cont.)

For year ended 30 June 2019

Note 13. Issued capital *(continued)*

Prohibited shareholding interest *(continued)*

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.

Note 14. Accumulated losses

	2019	2018
	$	$
Balance at the beginning of the financial year	(630,345)	(540,916)
Net loss from ordinary activities after income tax	(78,158)	(89,429)
Balance at the end of the financial year	(708,503)	(630,345)

Note 15. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

	2019	2018
Loss from ordinary activities after income tax	(78,158)	(89,428)
Non cash items:		
- depreciation	11,538	12,555
- amortisation	19,179	22,000
- loss on disposal of asset	1,245	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,111	5,442
- increase in other assets	(84,273)	(28,413)
- increase/(decrease) in payables	64,171	5,506
Net cash flows used in operating activities	(62,187)	(72,338)

Notes to the Financial Statements (cont.)

For year ended 30 June 2019

Note 16. Leases	2019	2018
	$	$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	20,590	13,506
- between 12 months and 5 years	72,065	-
	92,655	13,506

The operating lease is a non-cancellable lease which commenced on 1 Jan 2014. During the year the company exercised its option to extend the lease for a further five-year term commencing on the 1 Jan 2019. At the end of this period a further 5 year option to extend is available.

Note 17. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,200	5,410
- non audit services	-	800
	5,200	6,210

Note 18. Director and related party disclosures

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

Jacobus Cornelus Arie Van Tatenhove
Robert William Atkinson
Robert Owen Beveridge
Jennifer Margaret Donnelly
Catherine Therese Arnold
Whitney Lee Banfield
Gregory Ian Donald
Gina Deanne Hills *(Appointed 27 June 2019)*

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

Transactions with related parties:	2019	2018
	$	$
Director Robert Atkinson is principal of Beach Business & Financial Pty Ltd and provides the company with accounting & bookkeeping services.	14,503	13,518
Director Catherine Arnold is part owner of a printing business and supplied the company with reports and brochures	883	-

Notes to the Financial Statements (cont.)

For year ended 30 June 2019

Note 18. Director and related party disclosures *(continued)*

Directors Shareholdings	2019	2018
Jacobus Cornelus Arie Van Tatenhove	2,002	2,002
Robert William Atkinson	5,001	5,001
Robert Owen Beveridge	2,001	2,001
Jennifer Margaret Donnelly	1,001	1,001
Catherine Therese Arnold	10,000	10,000
Whitney Lee Banfield	-	-
Gregory Ian Donald	-	-
Gina Deanne Hills *(Appointed 27 June 2019)*	-	-

There was no movement in directors shareholdings during the year.

Note 19. Key Management Personnel Disclosures

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

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

Note 20. Earnings per share

	2019	2018
	$	$
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(78,158)	(89,429)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	887,362	887,362

Note 21. 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 22. 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 23. Segment reporting

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

Note 24. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
Shop 3, 2-4 Club Drive	Shop 3, 2-4 Club Drive
Shearwater TAS 7307	Shearwater TAS 7307

Note 25. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 %	2018 %
Financial assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	-	3,812	N/A	N/A
Financial liabilities												
Interest bearing liabilities	257,729	185,641	-	-	-	-	-	-	-	-	3.98	3.75
Payables	-	-	-	-	-	-	-	-	8,145	2,902	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	(2,577)	(1,856)
Decrease in interest rate by 1%	2,577	1,856
Change in equity		
Increase in interest rate by 1%	(2,577)	(1,856)
Decrease in interest rate by 1%	2,577	1,856

Director’s Declaration

For year ended 30 June 2019

In accordance with a resolution of the directors of Port Sorell & Latrobe Community Enterprises Ltd, 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.

Jacobus Cornelis Arie Van Tatenhove, Chairman

Signed on the 25th of September 2019.

Independent Auditor’s 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 Port Sorell & Latrobe Community Enterprises Ltd

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Port Sorell & Latrobe Community Enterprises Ltd, 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
Port Sorell & Latrobe Community Enterprises Ltd’s (the company) financial report comprises the:

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

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

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

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

Material uncertainty related to going concern
Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of $78,158 during the year ended 30 June 2019, further reducing the company’s net assets to $139,783. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company’s ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Independent Auditor's Report (cont.)

Other information
The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters. The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 25th September 2019

Joshua Griffin
Lead Auditor

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Port Sorell District **Community Bank**® Branch
Shop 3, 2-4 Club Drive, Shearwater TAS 7307
Phone: (03) 6428 8883

Bendigo Bank *Agency
Latrobe Newsagency
90 Gilbert Street, Latrobe TAS 7307
Phone: (03) 6426 1144

Franchisee: Port Sorell & Latrobe Community Enterprises Ltd
Shop 3, 2-4 Club Drive, Shearwater TAS 7307
Phone: 0456 883 776
ABN: 71 161 238 231

www.bendigobank.com.au/port-sorell