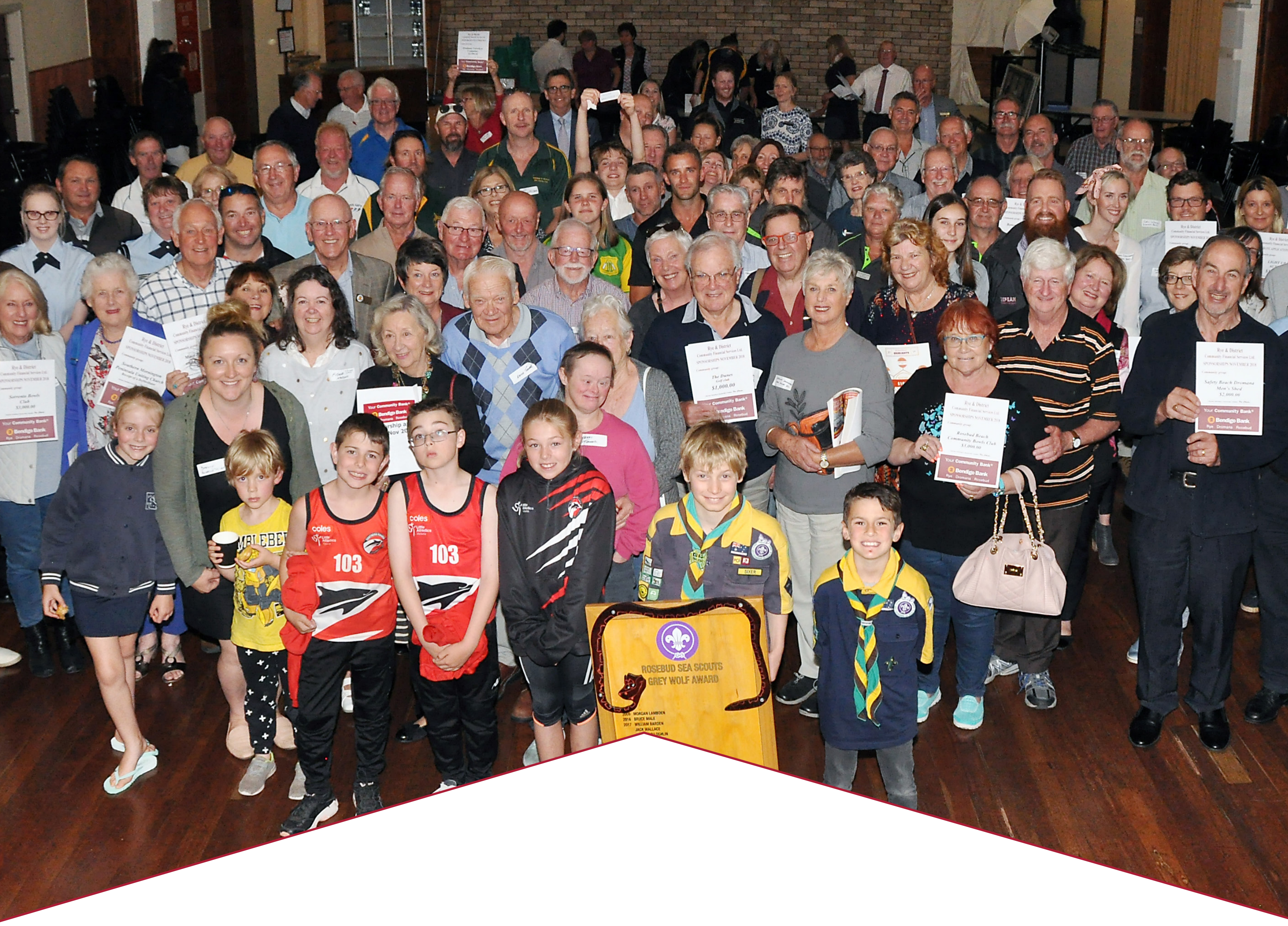

Annual Report 2019

Rye & District Community Financial Services Limited

ABN 67 095 766 895

Rye & District Community Bank Branch
Dromana Community Bank Branch
Rosebud Community Bank Branch

Contents

Chairman's report

For year ending 30 June 2019

I have great pleasure in presenting the 2018–19 Annual Report for Rye & District Community Financial Services Limited.

Our state conference in May this year, was a great platform to hear a range of views about where our industry is heading. In a world where banking is rapidly changing and digital transformation is occurring at considerable pace, the key message is that there is still a need, and a want, from the community for face-to-face engagement and customer service.

We excel at delivering a warm but professional customer experience at our branches of Rye, Rosebud and Dromana and will continue to focus on this, not only as something that is intrinsic to our way of doing business but also as a major departure point from our competitors. Our partner, Bendigo and Adelaide Bank similarly continues to be recognised for being one of Australia's most trusted brands and for providing an exceptional customer experience (source: Mozo's People Choice Awards 2019).

Our own market research conducted in April, confirmed some long-held beliefs and challenged others. We were pleasantly surprised to see that we hold around a 20% market share in our region – a remarkable statistic and one we hope to not only maintain but build upon. There is also a very strong awareness of the bank's community-giving program which indicates that the messaging around our investment in community really resonates with the local population. It is certainly an industry-wide challenge to motivate people to switch banks, but we believe we are up to the task of converting all of this goodwill into customer accounts.

After a recent restructure, we said goodbye to long-term Bendigo and Adelaide Bank managers in our region, namely, Simon Sponza (Regional Manager) and Tania Hansen (Regional Community Manager). Both are taking on exciting new roles in the organisation and on behalf of the board, I sincerely wish them well and hope to cross paths again. We welcome Kristy Marshall as our new Regional Manager and hope it is a fruitful relationship for all.

Once again, I acknowledge our long-standing Senior Manager, Gary Sanford who leads a fantastic group consisting of our branch managers and their staff. Gary can always be credited with passion and professionalism in his role and his care and concern for all customers is genuinely seen and felt.

Thank you to my fellow directors for another consistent and productive year. Our shareholders can be assured that this group of dedicated people continue to provide great stewardship and guidance for the betterment of the company.

The company returned $715,966 in donations, sponsorships and grants to the region for the financial year (this figure is adjusted down and does not include promotions, advertising and marketing costs as referenced in the Profit and Loss Statement on page 13). Whilst down on 2017–18, it is well worth noting that this is a massive achievement in what has been a tough year in terms of growth of the business.

In saying that, I am still pleased to confirm that due to a solid financial performance and on the strength of the company balance sheet, your board has approved a dividend for the year to 7.75 cents per share (fully franked), which will be paid on Friday 22 November 2019.

As always, I pass on my deepest thanks to our shareholders and customers for another strong year in the face of a challenging banking climate.

Vin Cheers
Chairman

Senior Manager's report

For year ending 30 June 2019

The 2019 financial year has seen the impact of the Banking Royal Commission and its effect on lending policies and conditions. A tightening of policies saw a reduction in lending applications meeting lending requirements, which reduced the number of loan approvals across the banking industry.

Our group was impacted by these changes in lending growth, which saw two of our branches' loan balances reduce over the 12 months. Reduced deposit rates also had an impact on obtaining and retaining investment deposits. Two of our branches were able to grow their deposit balances despite one reducing by a large amount (mainly due to a large investor seeking higher returns for their funds).

As at 30 June 2019, we experienced small growth in deposits, a decrease in lending and an increase in financial planning on a consolidated basis. Our Rye branch total accounts decreased by 1 to 9113, Dromana increased by 57 to 5205, Rosebud accounts grew by 699 to 4039, which meant consolidated growth in new accounts of 755, taking the combined total to 18,357.

Our consolidated footings totalled $622.08 million, which included total deposits at $364.24 million and total lending at $240.78 million. This still represents a very strong mix of business. Reported financial planning products under management at $17.06 million, assisted to make up the $622.08 million. These balances reflect a 2.06% increase in deposits and a negative 1.31% growth in lending across the company. The balances also reflect a 30.02% increase in financial planning products under management over the year.

Rye Branch footings as at 30 June 2019 were $173.09 million in deposits and $99.17 million in lending and financial planning under management at $11.88 million. Combined balances stood at $284.14 million.

Dromana branch footings as at 30 June 2019 were $105.42 million in deposits and $89.96 million in lending and financial planning under management at $3.73 million. Combined balances stood at $199.11 million.

Rosebud branch footings as at 30 June 2019 were $85.73 million in deposits and $51.65 million in lending and financial planning under management at $1.45 million. Combined balances stood at $138.83 million.

The consolidated business growth of $8.13 million against consolidated budgeted growth of $27.07 million fell a long way short of budget. Deposits grew by $7.37 million against a budget of $18.12 million, however lending decrease was $3.18 million against a budget of $12.57 million and financial planning increased by $3.94 million against a budget of $1.05 million.

The 2018–19 moderate growth results continued our history of footings growth since we began in 2001, which is very satisfying in the financial climate we experienced in 2018–19.

Board support

I wish to thank the board and Vin Cheers our Chairman for his support and leadership.

Staff

We have seen considerable change is banking conditions during the 2019 financial year, which has placed enormous pressure on all our managers and staff.

I would like to thank our Branch Managers: Julie Nolo (Rye), Jeff Kimber (Dromana) and Karen Dimsey (Rosebud) for leading and managing your staff during these changes.

Thank you to all our staff at all three branches that have not just worked at one branch but in most cases at all three of our branches at some time during the year.

You have all shown amazing resilience during the year and the above growth results would not have been possible without your commitment to our customers and one another. Thank you everyone.

Senior Manager's report continued

For year ending 30 June 2019

Summary

2019 was a challenging year, as previously mentioned, however I am very pleased to acknowledge that as a group we again achieved growth and our community engagements and activities remains very high.

It's pleasing to see our income increase from $3.987 million to $4.057 million. Our charitable donations, sponsorship amounts totalled $715,966, which was lower than 2018 at $849,091. This amount was like 2017, which was $722,000.

I continue to be excited with the feedback I have received after the running of the 2018 Your Community Bank Sports Leadership Program, which has highlighted the benefits of the program to not only the 'Skippers' (local youth leaders) but also the parents, mentors and clubs involved. The 2019 Your Community Bank Sports Leadership Program is currently underway and again the positive feedback is very exciting.

A recent survey conducted by an independent marketing company on behalf of our group indicated we had 20% of the local market share of banking. It also highlighted that what we have been doing in branding ourselves since our inception has been working as the community acknowledges the support we provide to the local community. The 20% market share this survey indicated we have is higher than Bendigo and Adelaide Bank Ltd market share across the country and double its target market share it is working towards. Can you imagine what impact we could have to support and improve our local community if, on the back of Bendigo and Adelaide Bank's marketing to increase its customer base, we could increase ours too? We need to continue to look after all our existing customers but welcome any new customers wishing to experience the highest level of customer service in our local area.

As at 30 June 2019 we have funded more than $10.14 million to our local community in sponsorships, grants and dividends. I congratulate every stakeholder involved in our company and thank every customer we have banking with us because these contributions are only possible because you do.

We will continue to strive to be the best Community Bank branches in the network, by providing the highest levels of customer service and we remain committed to continuing our increasing engagement with the local community.

Gary Sanford
Senior Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2019

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local board of directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our difference.

As a bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' 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:

Vincent de Paul Cheers

Chairman & Director
Occupation: Managing Director
Qualifications, experience and expertise: Owns and operates Vinsbins Pty Ltd – a waste management company on the Mornington Peninsula, employing 50–60 staff.
Special responsibilities: Sponsorship Committee
Interest in shares: 46,500

Stephen Bernard Edmund

Deputy Chairman & Director
Occupation: Real Estate Agent
Qualifications, experience and expertise: Sales and marketing background with 35 years experience operating retail and property management business on the Peninsula. Currently working in real estate in the Safety Beach to Rye area. Past President of Rotary Club of Dromana and Paul Harris Fellowship. Past President of Dromana Chamber of Commerce.
Special responsibilities: Deputy Chairman
Interest in shares: 7,200

Anthony Patrick Harford

Treasurer & Director
Occupation: Management Consultant
Qualifications, experience and expertise: 11 years Board Administration Officer for Rye & District Community Financial Services Ltd. Graduate of Company Directors Course, Australian Institute of Company Directors (AICD). Victorian Manager, AICD 2002–2005. Facilitator, AICD Governance Programs 2006–present. Past Commercial Manager Victoria, Qantas Airways. Past General Manager, Customer Loyalty Programs, Qantas Airways Ltd. Past CEO, Service Partners Pty Ltd. Past Customer Service and IT Executive, Diners Club International. Member RACV. Member Sorrento Golf Club.
Interest in shares: Nil

Dorothy Mortlock

Director
Occupation: Retired
Qualifications, experience and expertise: Secretary, Southern Peninsula Community Fund. President, Golf Peninsula Vic, Committee of Handle with Care (local charity working with Indonesia) and past President of Rosebud Country Club.
Special responsibilities: Audit & Governance Committee
Interest in shares: 2,890

Amber Britt Earles

Director
Occupation: PHD Candidate
Qualifications, experience and expertise: BA (Melbourne), Grad. Dip. Ed (Melbourne); Master of International and Community Development (Deakin). Grad. Cert Social Impact (Swinburne). Amber has worked in the field of community development for over a decade and is currently undertaking research into social enterprise governance. She is also a graduate of the Australian Institute of Company Directors.
Special responsibilities: Member of Sponsorship Committee, Chair of Marketing Committee, Chair of Community Impact Plan Working Group
Interest in shares: 2,000

Barry Leonard Irving

Director
Occupation: Retired
Qualifications, experience and expertise: Member of Rotary Club of Rosebud–Rye and past President of Paul Harris Fellow 3 Sapphires. Secretary of Rotary District 9820 Conference Ride, Member Rye RSL, Senior Laboratory Craftsman with CSIRO with 17 years' experience (now retired). Professional photography business in Rye (now retired). Photography and journalism for local community groups and associations (voluntary basis), member of Rye Cemetery Trust (voluntary basis).
Special responsibilities: Marketing, Promotion and Youth
Interest in shares: 3,600

Directors (continued)

Gary Michael Cain

Director
Occupation: Accountant, CPA
Qualifications, experience and expertise: CPA Qualified with 37 years in public practice.
Special responsibilities: Finance Committee
Interest in shares: 5,000

Janet Iris Hall

Director
Occupation: Interior Decorator
Qualifications, experience and expertise: Interior Decorator with 40 years experience, Southern Mornington Peninsula Uniting Church – Church Council and member of Cloverleaf Development Task Force.
Special responsibilities: Audit & Governance and Sponsorship Committee
Interest in shares: 8,800

Stephen De Quetteville Robin

Director
Occupation: Retired
Qualifications, experience and expertise: Master's Degree in Public Policy, over 30 years' experience in Public Relations and Marketing, expertise in sponsorship-raising, trade exhibitions and conference organising. Past membership of multiple tourism organisations on the Mornington Peninsula.

Special responsibilities: Marketing Committee
Interest in shares: 1,500

Craig Lawrence Dowsing

Director *(Appointed 23 July 2019)*
Occupation: Project Manager (Business Development) and business consultant
Qualifications, experience and expertise: Craig has a Bachelor of Business (Accounting). He worked for over a decade in commercial and consumer banking with the NAB and has now spent the last 12 years involved in business, accounting, financial management and strategic planning and development roles for both private and not-for-profit organisations. He is a member of the finance sub-committee for the Mornington Golf Club and currently the coach of two junior basketball teams in the Mornington District Basketball Association.
Special responsibilities: Nil
Interest in shares: Nil

Renee Christiana Bowker

Director *(Appointed 30 July 2019)*
Occupation: Executive Director
Qualifications, experience and expertise: Renee has a Bachelor of Commerce from the University of Tasmania and is an executive director of the Telco Together Foundation.
Other current directorships: Telco Together Foundation
Special responsibilities: Nil
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 Sarah Marshall. Sarah was appointed to the position of secretary on 1 December 2016. Sarah's qualifications include BA/LLB(Hons) from the University of Melbourne. Sarah has a background in corporate and commercial law in city law firms for eight years. Sarah's special responsibilities include the Sponsorship and Marketing Committees.

Principal activities

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

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

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
370,376	346,829

Dividends

	Year ended 30 June 2019	
	Cents	$
Final dividends recommended	7.75	227,199
Dividends paid in the year as recommended in the prior year report	7.50	219,870

Significant changes in the state of affairs

The company delisted from the National Stock Exchange on 28 June 2019 and moved to a Low Volume Market to facilitate the trading of its shares.

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 23 and 25 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:

	Directors' meetings	
	Eligible	Attended
Vincent de Paul Cheers	14	12
Stephen Bernard Edmund	14	13
Anthony Patrick Harford	14	10
Dorothy Mortlock	14	13
Amber Britt Earles	14	11
Barry Leonard Irving	14	8
Gary Michael Cain	14	11
Janet Iris Hall	14	10
Stephen De Quetteville Robin	14	12
Craig Lawrence Dowsing *(Appointed 23 July 2019)*	–	–
Renee Christiana Bowker *(Appointed 30 July 2019)*	–	–

Directors' meetings (continued)

	Committee meetings							
	Finance		Marketing		Sponsorship		Audit & Governance	
	A	B	A	B	A	B	A	B
Vincent de Paul Cheers	1	1	–	–	2	2	–	–
Stephen Bernard Edmund	–	–	–	–	–	–	–	–
Anthony Patrick Harford	1	1	8	7	2	2	–	–
Dorothy Mortlock	–	–	–	–	–	–	4	4
Amber Britt Earles	–	–	8	7	2	2	–	–
Barry Leonard Irving	–	–	–	–	2	2	–	–
Gary Michael Cain	1	1	–	–	–	–	–	–
Janet Iris Hall	–	–	–	–	2	2	4	4
Stephen Robin	–	–	8	8	–	–	–	–
Craig Lawrence Dowsing *(Appointed 23 July 2019)*	–	–	–	–	–	–	–	–
Renee Christiana Bowker *(Appointed 30 July 2019)*	–	–	–	–	–	–	–	–

A – eligible to attend, B – number attended

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 financial statements.

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

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

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

Auditor's Independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

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

Vincent de Paul Cheers
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 Rye & District Community Financial Services Limited

As lead auditor for the audit of Rye & District 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: 24 September 2019

Graeme Stewart
Lead Auditor

Taxation | Audit | Business Services
Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

Financial statements

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

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	4,056,969	3,979,373
Revaluation increment on investment property	4	–	170,146
Loss on sale of non current assets		(1,059)	(8,445)
Employee benefits expense		(2,010,408)	(1,980,293)
Charitable donations, sponsorship, advertising and promotion		(769,326)	(912,471)
Occupancy and associated costs		(140,003)	(131,149)
Systems costs		(197,213)	(190,299)
Depreciation and amortisation expense	5	(135,520)	(143,597)
Finance costs	5	(58,447)	(59,690)
General administration expenses		(224,252)	(232,789)
Profit before income tax expense		**520,741**	**490,786**
Income tax expense	6	(150,365)	(143,957)
Profit after income tax expense		**370,376**	**346,829**
Total comprehensive income for the year attributable to the ordinary shareholders of the company		**370,376**	**346,829**

Earnings per share		¢	¢
Basic earnings per share	26	12.63	11.83

The accompanying notes form part of these financial statements.

Balance Sheet
As at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	135,476	140,769
Trade and other receivables	8	358,856	348,507
Total current assets		**494,332**	**489,276**
Non-current assets			
Property, plant and equipment	9	4,580,975	4,496,433
Investment property	10	955,325	971,321
Intangible assets	11	76,582	114,174
Deferred tax asset	12	146,957	147,657
Total non-current assets		**5,759,839**	**5,729,585**
Total assets		**6,254,171**	**6,218,861**

LIABILITIES			
Current liabilities			
Current tax liabilities	12	61,670	17,518
Trade and other payables	13	159,744	1 31,332
Borrowings	14	249,791	226,854
Provisions	15	142,834	175,531
Total current liabilities		**614,039**	**551,235**
Non-current liabilities			
Borrowings	14	1,115,908	1,326,393
Provisions	15	84,109	51,624
Total non-current liabilities		**1,200,017**	**1,378,017**
Total liabilities		**1,814,056**	**1,929,252**
Net assets		**4,440,115**	**4,289,609**
Equity			
Issued capital	16	1,299,400	1,299,400
Reserves	17	1,306,515	1,306,515
Retained earnings	18	1,834,200	1,683,694
Total equity		**4,440,115**	**4,289,609**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2017		1,299,400	679,772	1,542,077	3,521,249
Total comprehensive income for the year		–	–	346,829	346,829
Transactions with owners in their capacity as owners:					
Revaluation increment on land and buildings		–	626,743	–	626,743
Shares issued during period		–	–	–	–
Costs of issuing shares		–	–	–	–
Dividends provided for or paid	24	–	–	(205,212)	(205,212)
Balance at 30 June 2018		**1,299,400**	**1,306,515**	**1,683,694**	**4,289,609**
Balance at 1 July 2018		1,299,400	1,306,515	1,683,694	4,289,609
Total comprehensive income for the year		–	–	370,376	370,376
Transactions with owners in their capacity as owners:					
Shares issued during period		–	–	–	–
Costs of issuing shares		–	–	–	–
Dividends provided for or paid	24	–	–	(219,870)	(219,870)
Balance at 30 June 2019		**1,299,400**	**1,306,515**	**1,834,200**	**4,440,115**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		4,045,065	4,002,472
Payments to suppliers and employees		(3,311,025)	(3,438,725)
Interest received		277	263
Interest paid		(58,447)	(59,690)
Income taxes paid		(105,513)	(140,143)
Net cash provided by/(used in) operating activities	19	**570,357**	**364,177**
Cash flows from investing activities			
Payments for property, plant and equipment		(172,988)	(10,943)
Payments for office furniture and equipment		–	(10,189)
Payments for intangible assets		–	(40,464)
Net cash used in investing activities		**(172,988)**	**(61,596)**
Cash flows from financing activities			
Proceeds from borrowings		87,255	–
Repayment of borrowings		(270,047)	(101,581)
Dividends paid	24	(219,870)	(205,212)
Net cash used in financing activities		**(402,662)**	**(306,793)**
Net decrease in cash held		**(5,293)**	**(4,212)**
Cash and cash equivalents at the beginning of the financial year		140,769	144,981
Cash and cash equivalents at the end of the financial year	7(a)	**135,476**	**140,769**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

The company has applied this standard using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for the year ended 30 June 2018 has not been restated.

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 Leases*, 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 has assessed the estimated impact that initial application of AASB 16 will have on its financial statements and noted no financial impact as the company has no operating leases.

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

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 branches at Rye, Dromana and Rosebud.

The branches operate 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 branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency – Bendigo and Adelaide Bank Limited (continued)

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 branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the Community Bank branches
- 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.

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.

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 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method 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 2.5–15 years
- furniture and fittings 4–15 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 15.63.

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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

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

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

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

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

Derecognition

i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. 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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment (continued)

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

Note 1. Summary of significant accounting policies (continued)

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 & Poor's, 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

Note 2. Financial risk management (continued)

(iii) Credit risk (continued)

Based on these 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.

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.

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.

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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

	2019 $	2018 $

Note 4. Revenue from ordinary activities

Operating activities:		
– gross margin	3,315,417	3,224,722
– services commissions	386,907	370,804
– fee income	263,668	294,031
– market development fund	45,000	45,000
Total revenue from operating activities	**4,010,992**	**3,934,557**
Non-operating activities:		
– interest received	277	263
– rental revenue	45,397	44,553
– revaluation increment on investment property	–	170,146
– other revenue	303	–
Total revenue from non-operating activities	**45,977**	**214,962**
Total revenues from ordinary activities	**4,056,969**	**4,149,519**

Note 5. Expenses

Depreciation of non-current assets:		
– land and buildings	58,651	57,053
– investment property	15,996	15,062
– motor vehicles	9,432	6,806
– office furniture and equipment	7,694	15,041
– leasehold improvements	6,155	7,430
Amortisation of non-current assets:		
– franchise agreement	6,111	6,688
– franchise renewal fee	27,415	21,517
– establishment fee	4,066	14,000
	135,520	**143,597**
Finance costs:		
– interest paid	**58,447**	**59,690**
Bad debts	**6,286**	**1,833**
Loss on sale of non current assets	**1,059**	**8,445**

	2019 $	2018 $

Note 6. Income tax expense

The components of tax expense comprise:		
– Current tax	149,665	104,195
– Movement in deferred tax	700	39,762
	150,365	**143,957**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit before tax	520,741	490,786
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	143,204	134,966
Add tax effect of:		
– non-deductible expenses	3,280	6,252
– timing difference expenses	(700)	7,029
– other deductible expenses	3,881	(44,052)
	149,665	**104,195**
Movement in deferred tax	700	39,762
	150,365	**143,957**

Note 7. Cash and cash equivalents

Cash at bank and on hand	135,476	140,769
	135,476	**140,769**

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	135,476	140,769
	135,476	**140,769**

Note 8. Trade and other receivables

Trade receivables	326,864	315,237
Prepayments	31,992	33,270
	358,856	**348,507**

	Note	2019 $	2018 $

Note 9. Property, plant and equipment

Land and buildings			
At cost		4,494,813	4,400,000
Less accumulated depreciation		(71,852)	(13,201)
		4,422,961	**4,386,799**
Leasehold improvements			
At cost		134,473	134,473
Less accumulated depreciation		(85,794)	(79,641)
		48,679	**54,832**
Office furniture and equipment			
At cost		116,694	112,369
Less accumulated depreciation		(83,175)	(75,480)
		33,519	**36,889**
Motor vehicles			
At cost		110,134	65,744
Less accumulated depreciation		(34,318)	(47,831)
		75,816	**17,913**
Total written down amount		**4,580,975**	**4,496,433**
Movements in carrying amounts:			
Land and buildings			
Carrying amount at beginning		4,386,799	3,811,512
Transfer from leasehold improvements		–	2,425
Transfer from office furniture and equipment		–	4,554
Revaluation of assets		–	626,743
Additions		94,813	–
Disposals		–	(1,382)
Less: depreciation expense		(58,651)	(57,053)
Carrying amount at end		**4,422,961**	**4,386,799**

	2019 $	2018 $
Leasehold Improvements		
Carrying amount at beginning	54,832	63,199
Additions	–	1,488
Disposals	–	–
Transfer to land and buildings	–	(2,425)
Less: depreciation expense	(6,155)	(7,430)
Carrying amount at end	**48,677**	**54,832**
Office furniture and equipment		
Carrying amount at beginning	36,889	36,838
Additions	4,325	19,646
Disposals	–	–
Transfer to land and buildings	–	(4,554)
Less: depreciation expense	(7,694)	(15,041)
Carrying amount at end	**33,520**	**36,889**
Motor vehicles		
Carrying amount at beginning	17,913	39,617
Additions	73,850	–
Disposals	(6,514)	(14,898)
Less: depreciation expense	(9,432)	(6,806)
Carrying amount at end	**75,817**	**17,913**
Total written down amount	**4,580,975**	**4,496,433**

Note 10. Investment property

Land and buildings		
At cost	975,000	975,000
Less accumulated depreciation	(19,675)	(3,679)
	955,325	**971,321**
Movements in carrying amounts:		
Land and buildings		
Carrying amount at beginning	971,321	816,236
Revaluation of assets	–	170,147
Additions	–	–
Disposals	–	–
Less: depreciation expense	(15,996)	(15,062)
Carrying amount at end	**955,325**	**971,321**

	2019 $	2018 $

Note 11. Intangible assets

Franchise fee		
At cost	167,222	167,222
Less: accumulated amortisation	(155,061)	(148,950)
	12,161	**18,272**
Establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(70,000)	(65,934)
	–	**4,066**
Renewal processing fee		
At cost	234,930	234,930
Less: accumulated amortisation	(170,509)	(143,094)
	64,421	**91,836**
Total written down amount	**76,582**	**114,174**

Note 12. Tax

Current:		
Income tax payable	61,670	17,518
Non-Current:		
Deferred tax assets		
– accruals	683	852
– employee provisions	62,409	62,468
– capital loss carried forward	135,110	135,110
	198,202	**198,430**
Deferred tax liability		
– revaluation surplus	46,790	46,790
– deductible prepayments	4,455	3 ,983
	51,245	**50,773**
Net deferred tax asset	**146,957**	**147,657**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**700**	**39,761**

		2019 $	2018 $

Note 13. Trade and other payables

Current:			
Trade creditors		14,965	21,429
Other creditors and accruals		144,779	109,903
		159,744	**131,332**

Note 14. Borrowings

Current:			
Chattel mortgage	21	28,711	–
Bank loans		221,080	226,854
		249,791	**226,854**
Non-current:			
Chattel mortgage	21	41,801	–
Bank loans		1,074,107	1,326,393
		1,115,908	**1,326,393**
Bank loans are repayable monthly. Interest is recognised at an average rate of 5.21% (2018: 5.47%). The loans are secured by a fixed and floating charge over the company's assets.			

Note 15. Provisions

Current:			
Provision for annual leave		53,415	71,159
Provision for long service leave		89,419	104,372
		142,834	**175,531**
Non-Current:			
Provision for long service leave		**84,109**	**51,624**

Note 16. Issued capital

2,931,605 ordinary shares fully paid (2018: 2,931,605)		1,340,732	1,340,732
Less: equity raising expenses		(41,332)	(41,332)
		1,299,400	**1,299,400**

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 270. As at the date of this report, the company had 479 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.

	2019 $	2018 $

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 17. Reserves

	2019 $	2018 $
Asset Revaluation Reserve	**1,306,515**	**1,306,515**

Note 18. Retained earnings

	2019 $	2018 $
Balance at the beginning of the financial year	1,683,694	1,542,077
Net profit from ordinary activities after income tax	370,376	346,829
Dividends provided for or paid	(219,870)	(205,212)
	1,834,200	**1,683,694**

Note 19. Statement of cash flows

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

	2019 $	2018 $
Profit from ordinary activities after income tax	370,376	346,829
Non cash items:		
– depreciation	97,928	101,392
– amortisation	37,592	42,205
– revaluation of assets	–	(170,146)
– loss on sale of assets	1,059	8,445
Changes in assets and liabilities:		
– (increase)/decrease in receivables	(11,627)	17,465
– increase/(decrease) in other assets	–	39,761
– increase/(decrease) in payables	30,389	37,458
– increase/(decrease) in provisions	(212)	21,827
– increase/(decrease) in current tax liabilities	44,852	(81,059)
Net cash flows provided by operating activities	**570,357**	**364,177**

Note 20. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 $	Level 2 $	Level 3 $	Total $
At 30 June 2019				
Recurring fair value measurements:				
Investment property	–	975,000	–	975,000
Freehold land and buildings	–	4,400,000	–	4,400,000
Total assets at fair value	–	**5,375,000**	–	**5,375,000**
At 30 June 2018				
Recurring fair value measurements:				
Investment property	–	975,000	–	975,000
Freehold land and buildings	–	4,400,000	–	4,400,000
Total assets at fair value	–	**5,375,000**	–	**5,375,000**

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Note 21. Leases

	2019 $	2018 $
Finance lease commitments		
Payable – minimum lease payments:		
– not later than 12 months	31,039	–
– between 12 months and 5 years	43,321	–
– greater than 5 years	–	–
Minimum lease payments	74,360	–
Less future finance charges	**(3,848)**	–
Present value of minimum lease payments	**70,512**	–
The finance lease of Toyota Camry & Toyota Rav4, which commenced in November 2018 & May 2019 respectively, are 3 year leases. Interest is recognised at an average rate of 4.22%.		

	2019 $	2018 $

Note 22. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
– audit and review services	6,956	6,850
	6,956	**6,850**

Note 23. Director and related party disclosures

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

Vincent de Paul Cheers
Stephen Bernard Edmund
Anthony Patrick Harford
Dorothy Mortlock
Amber Britt Earles
Barry Leonard Irving
Gary Michael Cain
Janet Iris Hall
Stephen De Quetteville Robin
Craig Lawrence Dowsing *(Appointed 23 July 2019)*
Renee Christiana Bowker *(Appointed 30 July 2019)*

The board has adopted a policy in respect to director fees with the following objectives:

- to attract and retain appropriately qualified and experienced directors; and
- to remunerate directors in regard to their responsibilities.

In accordance with board policy, director remuneration comprises a base fee together with a 9.5% superannuation guarantee charge.

Directors fees are determined by the board and are not to exceed $100,000 in aggregate, the allocation of which is determined at the discretion of the board. This policy was approved by the shareholders at the 2007 Annual General Meeting held 31 October 2008.

During the normal course of business operations, Rye & District Community Financial Services Limited utilised services offered by local community business. Some of these transactions included businesses which some directors have direct or indirect interest. These transactions are considered to be made at an arms length basis and are on normal commercial terms.

	2019 $	2018 $
Directors shareholdings		
Vincent de Paul Cheers	46,500	38,500
Stephen Bernard Edmund	7,200	7,200
Anthony Patrick Harford	–	–
Dorothy Mortlock	2,890	2,890
Amber Britt Earles	2,000	2,000
Barry Leonard Irving	3,600	3,600
Gary Michael Cain	5,000	5,000
Janet Iris Hall	8,800	8,800
Stephen De Quetteville Robin	1,500	1,500
Craig Lawrence Dowsing (Appointed 23 July 2019)	–	–
Renee Christiana Bowker (Appointed 30 July 2019)	–	–

There was movement in directors shareholdings during the year.

Note 24. Dividends paid or provided

a) Dividends paid during the year		
Prior year proposed final		
100% (2018: 100%) franked dividend – 7.5 cents (2018: 7.0 cents) per share	**219,870**	**205,212**
The tax rate at which dividends have been franked is 27.5%		
b) Dividends proposed and not recognised as a liability		
Current year final dividend		
100% (2018: 100%) franked dividend – 7.75 cents (2018: 7.5 cents) per share	**227,199**	**219,870**
Dividends proposed will be franked at a rate of 27.5%		
c) Franking account balance		
Franking credits available for subsequent reporting periods are:		
– franking account balance as at the end of the financial year	1,024,201	1,002,087
– franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	35,591	(6,153)
Franking credits available for future financial reporting periods:	**1,059,792**	**995,934**
– 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	(83,399)	(83,399)
Net franking credits available	**976,393**	**912,535**

	2019 $	2018 $

Note 25. Key management personnel disclosures

The board is responsible for the determination of remuneration packages and policies applicable to the Senior Manager and all the staff. The Senior Manager is invited to the board meeting as required to discuss performance and remuneration packages.

The Senior Manager is paid a base salary, which is between $160,000 – $170,000 plus the use of a company car. From 2017–2018 the Senior Manger has opted to work a 9 day fortnight in lieu of any bonus.

The directors received remuneration including superannuation, as follows:		
Vincent de Paul Cheers	20,000	
Stephen Bernard Edmund	7,500	
Anthony Patrick Harford	15,000	
Dorothy Mortlock	7,500	
Amber Britt Earles	7,500	
Barry Leonard Irving	7,500	
Gary Michael Cain	7,500	
Janet Iris Hall	7,500	
Stephen De Quetteville Robin	7,500	
Craig Lawrence Dowsing *(Appointed 23 July 2019)*	–	
Renee Christiana Bowker *(Appointed 30 July 2019)*	–	
	87,500	

Note 26. Earnings per share

	$	**$**
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	370,376	346,829
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,931,602	2,931,602

Note 27. Events occurring after the reporting date

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

Note 28. Contingent liabilities and contingent assets

During the reporting period, a personal injury claim for unspecified damages was lodged against the company. No provision has been made in these financial statements. There were no other contingent liabilities or contingent assets at the date of this report to affect the financial statements.

Note 29. Segment reporting

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

Note 30. 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 places of business
239 Point Nepean Road Dromana Vic 3936	2271 Point Nepean Road Rye Vic 3941
	239 Point Nepean Road Dromana Vic 3936
	1087–1089 Point Nepean Road Rosebud Vic 3939

Note 31. 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	134,796	140,089	10	10	–	–	–	–	670	670	0.21	0.23
Receivables	–	–	–	–	–	–	–	–	326,964	315,237	N/A	N/A
Financial liabilities												
Interest bearing liabilities	–	–	221,080	226,854	70,512	–	1,074,107	1,326,393	–	–	5.21	4.15
Payables	–	–	–	–	–	–	–	–	14,966	21,4291	N/A	N/A

Note 27. Financial instruments (continued)

Net fair values

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

Credit risk

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

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

Interest rate risk

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

Sensitivity analysis

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

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

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	12,309	14,131
Decrease in interest rate by 1%	(12,309)	(14,131)
Change in equity		
Increase in interest rate by 1%	12,309	14,131
Decrease in interest rate by 1%	(12,309)	(14,131)

Directors' declaration

In accordance with a resolution of the directors of Rye & District 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.

Vincent de Paul Cheers
Chairman

Signed on the 24th of September 2019.

Partners in success
Chartered Accountants

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PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Rye & District Community Financial Services Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Rye & District 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
Rye & District 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.

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 24 September 2019

Graeme Stewart
Lead Auditor

2018–19 Community funding

Anglican Parish of Sorrento & Rye – Arts Committee
Art Red Hill (Red Hill Consolidated School)
Association for Building Community in Dromana Inc
Australian Volunteer Coast Guard
Blaigrowrie Community Garden (auspiced by Sorrento Community Centre)
Boneo Baseball & Softball Club
Boneo CFA
Boneo Cricket Club
Boneo Primary School
Boneo Rural Fire Brigade
Capel Tootgarook Netball Club
Caroline Chisholm Education Foundation
Carrington Park at Eagle Ridge Ladies Golf Club
Cloverleaf Project Rosebud (Community Lifestyle Accommodation)
Community Lifestyle Accommodation Limited
Dreamhouse Theatre Co
Dromana Australia Day Committee No. 1 Inc
Dromana Bowls Club
Dromana College
Dromana College (Parents and Friends)
Dromana Cricket Club
Dromana Football & Netball Club
Dromana Foreshore Committee
Dromana Junior Football & Netball Club
Dromana Valley Probus
Fit2Drive Frankston & Mornington Peninsula
Food For All
Ingham Growers Association
Light Up Autism
Lions Club of Flinders
Lions Club of McCrae & District
Lions Club of Rye
Living Culture
Main Ridge Bowls & Petanque Club
Main Ridge CFA
Main Ridge Cricket Club
Mary's Van
McCrae Yacht Club
Mornington Peninsula Bowls Inc
Mornington Peninsula Foundation (SPCSIC)
Mornington Peninsula TPI Club
Mornington Peninsula Veteran Golfers Association
Music For Community Inc
Nepean Camera Club
Nepean Netball Association
Our Lady of Fatima Primary School Parents Association
Peninsula Chamber Musicians
Peninsula Country Music Inc
Peninsula Home Hospice (Nepean Friends of Hospice)
Peninsula Life Therapies
Peninsula Studio Trail
Probus Club of Safety Beach
Pt Nepean Men's Shed
Razor Ride (Griefline)
Red Hill Consolidated School
Red Hill District Lions Club
Red Hill Football Netball Club
Red Hill Gardening Society
Red Hill Scouts
RNB Croquet Club
Rosebud & McCrae Lifesaving Club
Rosebud Australia Day Association
Rosebud Beach Community Bowls Club
Rosebud Chamber of Commerce
Rosebud Country Club – Bowls Division
Rosebud Football & Netball Club
Rosebud Heart Soccer Club
Rosebud Italian Club
Rosebud Junior Football Club
Rosebud Kite Festival
Rosebud Police Senior Citizens Register Inc
Rosebud Primary School
Rosebud Raiders Basketball Club
Rosebud Rock N Rods Festival
Rosebud Sea Scouts
Rosebud Toy Library
Rotary Club of Dromana
Rotary Club of Rosebud Rye
Rotary Club of Sorrento
Rye Beach Community Action Inc
Rye Bowls Club
Rye Cemetery & Memorial Gardens
Rye Community House
Rye Football Club
Rye Junior Football Club
Rye Junior Netball Club
Rye Netball Club
Rye Sports & Social Club

2018–19 Community funding (continued)

Rye Tennis Club
Rye Yacht Club
Safety Beach Dromana Men's Shed
Safety Beach Golf Club
Safety Beach Sailing Club
Seawinds Boomerang Bags
Seawinds Community Hub
Singing for Wellness
Sister Carmel Southern Peninsula Cancer Support
Sorrento Bowls Club
Sorrento Community Centre
Sorrento Cricket Club
Sorrento Football Club
Sorrento Junior Football Club
Sorrento Junior Netball Club
Sorrento Portsea RSL Bowls
Sorrento Primary School
Southern Mornington Peninsula Uniting Church
Southern Mornington Peninsula Uniting Church – Rosebud Playgroup
Southern Mornington Peninsula Uniting Church – Dromana Playgroups
Southern Peninsula Classic & Historic Car Club
Southern Peninsula Community Support & Information Centre
Southern Peninsula Family History Society
Southern Peninsula Indoor Bias Bowling Association
Southern Peninsula Little Athletics Centre
Southern Peninsula Slim & Trim Club
St Marks Anglican Church
Teenagers Road Accident Group – TRAG Mornington Peninsula Inc
The Dunes Golf Club
The Lions Club of McCrae & District
The Village Glen Bowls Club
The Village Glen Croquet Club
The Village Glen Fidelity Club
The Village Glen Golf Club
Tootgarook Cricket Club
Tootgarook Netball Club
Tootgarook Primary School
Vinnie's Kitchen
West Rosebud Bowling and Croquet Club Inc
Woodworkers of the Southern Peninsula
YMCA/Southern Peninsula Youth Services
Your Community Bank Sports Youth Leadership Program

Rye & District Community Bank Branch
2271 Point Nepean Road, Rye VIC 3941
Phone: (03) 5985 9755
www.bendigobank.com.au/rye

Dromana Community Bank Branch
239 Point Nepean Road, Dromana VIC 3936
Phone: (03) 5981 0106
www.bendigobank.com.au/dromana

Rosebud Community Bank Branch
PO Box 301, Rye VIC 3939
Phone: (03) 5982 0499
www.bendigobank.com.au/rosebud

Franchisee: Rye & District Community Financial Services Limited
PO Box 301, Rye VIC 3941
Phone: (03) 5987 0754
ABN: 67 095 766 895

Share Registry:
RSD Chartered Accountants
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
www.rsdadvisors.com.au

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