Sandringham Community Financial Services Limited

ABN 86 099 131 192

2019 Annual Report

Sandringham Community Bank Branch

Contents

Chairman's report

For year ending 30 June 2019

Our achievements

We are pleased to report another successful year for Sandringham Community Financial Services Limited. Profit of $147,764, before community contributions of $78,218, was in line with our budget.

Retained earnings will see our Assets increase to $802,674 and Equity increase to $579,280. It is our intention to return the level of Assets and Equity to near the level prior to the contribution of $500,000 to the Sandringham Community Bank Day Procedure Centre at Sandringham Hospital as envisaged in last year's Annual Report. We have elected to claim the taxation benefits of the $500,000 contribution over five years and this will have a favourable impact on our after-tax results for the next four years.

The Sandringham Community Bank Day Procedure Centre was officially opened by The Hon. Jill Hennessy, Minister for Health on 14 August 2018. Our contribution was widely acknowledged together with the support we give to the local Kindergarten visits to the Sandringham Hospital and the funding of a family room adjoining the nursery in the maternity ward at the Hospital.

In addition to the Sandringham Hospital, our increased exposure at Primary Schools, sporting clubs and other community groups ensures that we are favourably known and recognised as a valued member of the community and a Bank that delivers quality products from professional and caring staff.

Subsequent to the approval of shareholders at the Annual General Meeting of 23 November 2017, we have now delisted from the National Stock Exchange and the Australian Securities & Investment Commission has approved our application for admission onto the register of the Low Volume Market. This is good news for shareholders as it will make the market framework for the trading of our company shares much simpler. There will also be cost savings in maintaining our share register.

Consistent with previous years a Fully Franked Dividend payment of 6 cents per share will be paid to shareholders.

The banking industry has seen changes introduced since the Royal Commission. We have experienced a challenging lending environment this year which has limited our opportunities for growth, particularly in the investor market. Although there is now more stability in the property market, we expect the banking environment to continue to be competitive. However, with careful management of our business, competitive products, skilled and professional staff, we expect to be able to build on our strong customer base and reputation in the community to achieve an operating profit for the year to 30 June 2020 in line with the year under report.

Our community

We continue to support several sporting clubs and more recently have focused on women's participation in sport. Support is also provided to community groups that provide opportunities to disadvantaged and self-help groups.

Beneficiaries of our grants, sponsorships and donations program for this year are shown in the community section of this report.

Our unique banking model means more than 80% of the bank's profits can be returned straight back to the Bayside community.

Chairman's report (continued)

Our strategy

The Board remains committed to a strategy of growing and retaining our good business. With continued growth and maintaining a strong balance sheet we will be well placed to continue supporting the community into the future.

With more customers utilising electronic banking services the number of people visiting the branch is declining. This has placed less demand on our counter staff, and we have taken the opportunity to refocus the allocation of duties. We have moved staff into business development roles which will enable them to give more support to the Manager by undertaking duties both within the Branch and visiting customers and prospects. The branch has already seen success in the visiting program to local primary schools.

We are targeting the recipients of our Grants and Sponsorships in a more professional manner with the expectation that these partners will assist in promoting the Bank in their community and actively encourage their members to utilise our services.

Following the successful partnership with Sandringham Hospital we will continue to explore other opportunities for a strategic investment in a landmark project that will add value and improve the wellbeing of our community.

Our people

We are very fortunate at Sandringham to have a stable staff of experienced and professional people. Matthew Gallop, who has been with us since establishment, leads a competent and knowledgeable team. Their willingness to assist our customers is a major point of difference from the other banks.

Currently we have seven Directors who bring diverse and complementary skills to the Board and we benefit from the professionalism and enthusiasm they display in supporting the Bank in the community.

Sarah Andrews who joined the Board in March 2018 after spending some time as a member of our Marketing and Communications Committee retired in August 2018 due to her increased work commitments.

We have reviewed our Board skills, succession planning and Committee structures to ensure that we are well placed to plan and monitor the business into the future and have the necessary personal to promote the Branch in the community. In the coming year we will be recruiting new Directors to ensure we have the appropriate Board skills and succession plans in place.

We also acknowledge the support we received from our previous Regional Managers, Mark Nolan and Tracey Kelly and our new Regional Manager, Stephanie Russell. We thank them for their ready assistance and guidance.

Our shareholders

It is interesting to note that many of our original shareholders have remained with us over the years and together with the new shareholders we are grateful for your ongoing support and the business that many of you transact at our branch.

Graham M Ludecke
Chairman

Manager's report

For year ending 30 June 2019

The Sandringham Community Bank Branch gets set to enter its 17th year and continues to be a well-respected and important part of our community.

With the recent Royal Commission, APRA's tightening of the lending criteria and the fall in property prices we have certainly found it to be a challenging year with our total footings reducing from $168.3 million down to $159.7 million. This movement relates to a single account that saw an additional $10 million accumulate in June 2018 and withdrawn on the 5 July 2018.

We are pleased to have provided to our community a further $78,218 in grants and sponsorships during the year bringing our total return (including dividends) to a fantastic $2,044,054 since opening.

We were proud to be involved in many great community initiatives during the year which we have outlined in the centre pages of this report. The highlight for the year has certainly been the opening of the Sandringham Community Bank Day Procedure Centre on the 14 August 2018 that we were very pleased to contribute $500,000 to bring this tremendous facility to Sandringham.

Our dedicated staff are Brooke Robinson, Sally Turner, Julie Dunn, Siobhan Boyle, Debbie Sinclair and we welcome back a previous staff member Kathryn Harvey on a casual basis and I thank them for the exceptional level of customer service that they provide.

I wish to acknowledge my appreciation of the support by Bendigo and Adelaide Bank Limited and our Regional Manager Tracey Kelly.

I would also like to express my appreciation to the Board of Directors for their continued support and hard work as they continue to build stronger relationships in our community. Their commercial knowledge and experience has been greatly appreciated.

We are a real alternative to the major banks and seek to capitalise on our goodwill within the overall banking sector.

The move to digital banking is exciting and Bendigo and Adelaide Bank Limited has committed to making this a priority. We are already ahead when it comes to our online offerings and for those customers who don't want to step into a branch, that's great news and we are looking forward to advances in this area.

For those clients who want to continue the tradition of coming into the branch – we're not going anywhere. We are still here and committed to helping you over the counter with all your banking requirements.

While existing clients remain an integral part of our growth, we are really focusing on bringing new clients to our Bank and as a valued shareholder would greatly appreciate your assistance in introducing the bank to your family, friends, community and business acquaintances. Our product range is extensive and we are confident of being able to offer a competitive package for your banking.

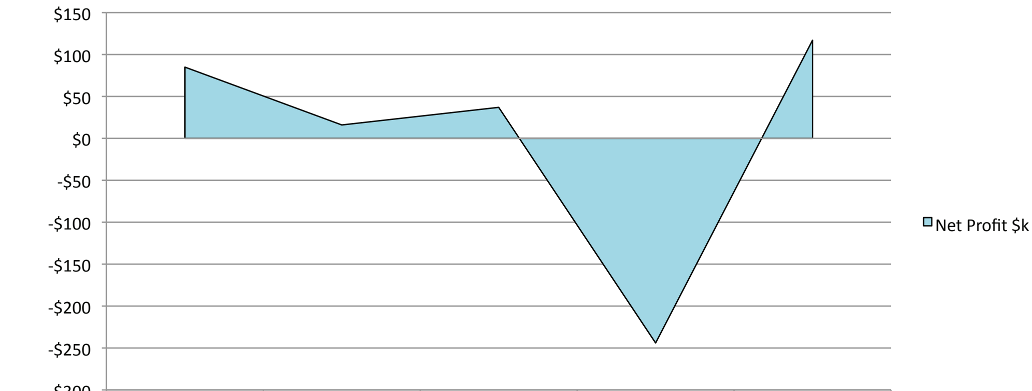
The local community has made the business the success that it is today, and we look forward to a strong future to strengthen the outcome from your investment in the community.

Yours Sincerely

Matthew Gallop
Branch Manager – Sandringham Community Bank Branch

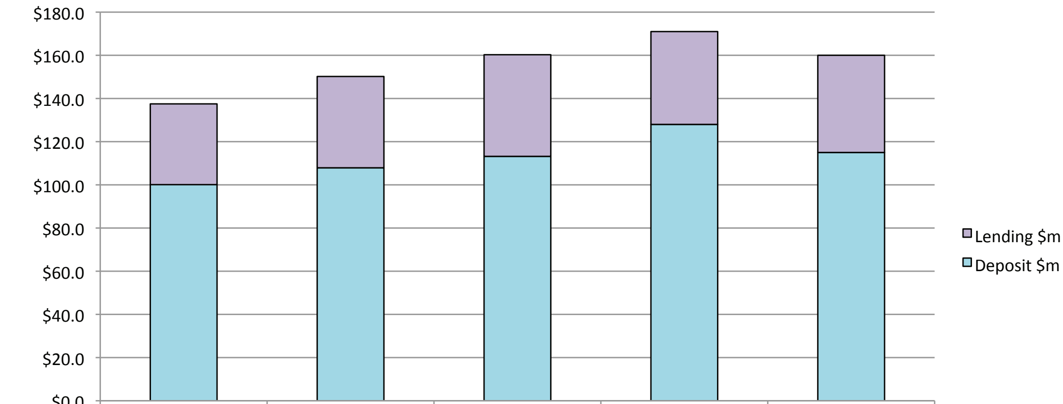
Performance graphs

Net Profit After Tax



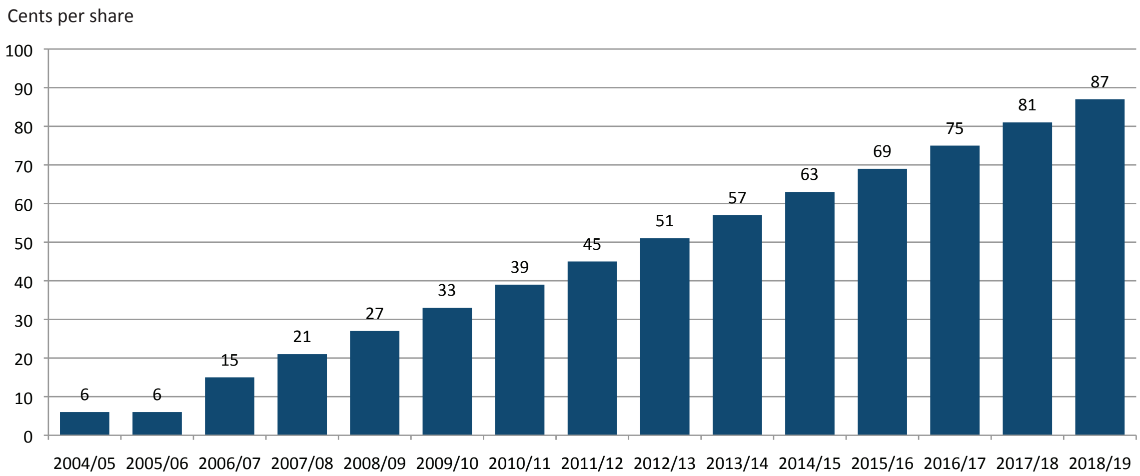
	2015	2016	2017	2018	2019
Net Profit $k	$85	$16	$37	-$244	$117

Deposit & Lending Growth



	2015	2016	2017	2018	2019
Lending $m	$37.4	$42.3	$47.1	$43.0	$45.0
Deposit $m	$100.1	$107.9	$113.2	$128.0	$115.0

Cumulative Shareholder Returns



Directors' report

For the financial year ended 30 June 2019

The Directors present their report of the company for the financial year ended 30 June 2019.

Directors

The following persons were Directors of Sandringham Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and Other Directorships
Graham Manson Ludecke Director since August 2009 Chairman	SF Fin, MAICD	Retired Banker. Held senior banking positions with the National Australia Bank including international postings in Europe and the USA. Currently, Director of Bentleigh Bayside Community Health, President, Black Rock Sports Auxiliary Inc. Life Governor, Sandringham Hospital 1981. Past Directorships include CRAA, Data Advantage Ltd, Southern Family Life, NGV Foundation, Sandringham Hospital, Australian Banking Industry Ombudsman Ltd. Past member of Alfred Health, Community Advisory Committee and Southern Health, Community Advisory Committee. Chairman of the Audit Committee and member of the Remuneration Committee.
Michael John Davies Director since January 2008 Director	FAIM, AMAMI	Formally Group President and Director of ITW Australia, Asia Pacific and subsidiary companies. Director of Victoria Carpet Company Pty Ltd, Quest Pty Ltd, HGS Pty Ltd and Sutton Tools Pty Ltd.
Glen Hay Kruger Director since February 2011 Director	MBA	20 years experience at senior management level in the not-for-profit area, currently Executive Director of Aries Technology Australia Pty Ltd.
Ian Richard Siebert Director since June 2010 Director	B Ec, Dip Tert Ed, MBA, FAIM	10 years experience as a manager and 30 years as a management consultant and Higher Education Leader, Facilitator and Coach.
Cindy Nora Jessica O'Donoghue Director since October 2015 Director, Company Secretary and Treasurer	BComm (Accounting), CPA	Over 15 years accounting and business experience in both Accounting Practise and the Financial Services Industry. In particular, the corporate banking sector in London and Dublin. Held positions in listed companies namely, Lloyds TSB, Mercer HR and Bank of Ireland. Finance Business Partner for Catholic Education Melbourne and Director of the St Mary's Foundation, Hampton.

Directors' report (continued)

Directors (continued)

Name and position held	Qualifications	Experience and Other Directorships
Amanda May Smyth Director since February 2016 Director	BEconomics	15 years experience both in Australia (David Jones, Big W) and the UK (Austin Reed, Cath Kidston) in Retail Buying. Strong community focus through primary school Parents Associations and Kindergarten Committees.
Caitlin Elizabeth Eves Director since February 2016 Director	Bcomm (Mgt/ Marketing)	Over 15 years experience in Marketing, communications and strategy in global and multinational companies as well as direct consulting for small to medium businesses in financial and other sectors. Also currently Director of Strategy and customer service at FM Group Pty Ltd.
Sarah Andrews Director since March 2018 Retired as Director August 2018	MBBS(Hons), FRACGP	CH(SA)Doctor since 2005, GP since 2008. Business owner and director of GP clinic. Board Member for Victorian Faculty Board of RACGP since November 2017 (coopted member, now full member).

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit Committee meetings	
Director	**A**	**B**	**A**	**B**
Graham Manson Ludecke	11	11	3	3
Michael John Davies	11	10	N/A	N/A
Glen Hay Kruger	11	9	N/A	N/A
Ian Richard Siebert	11	6	N/A	N/A
Cindy Nora Jessica O'Donoghue	11	9	3	3
Amanda May Smyth	11	9	N/A	N/A
Caitlin Elizabeth Eves	11	11	N/A	N/A
Sarah Andrews	2	2	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Directors' report (continued)

Company Secretary

Cindy O'Donoghue has been the Company Secretary of Sandringham Community Financial Services Limited since 1 August 2015.

Cindy O'Donoghue's qualifications and experience includes a Bachelor of Commerce (Accounting) degree and she is also a qualified Certified Practising Accountant (CPA) of Australia since 2001. Cindy has over 15 years experience in both accounting practise and the Financial Services sector in London and Dublin. She has held positions in listed companies, namely Lloyds TSB, Mercer HR and Bank of Ireland. Currently, a Director of the St Mary's Foundation and Finance Business Partner at the Catholic Education Melbourne.

Cindy became a Director of the company on 1 October 2015 and was paid $15,000 plus superannuation guarantee in regard to her role as the company's accountant and company secretary.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $117,383 (2018 loss: $244,289), which is a 148.1% increase as compared with the previous year. The loss in the previous year was created soley due to the final donation to Sandringham Hospital towards the creation of the Sandringham Community Bank Day Procedure Centre. $360,000 was the final payment made during the previous year.

Dividends

A fully franked final dividend of 6 cents per share ($36,601) was declared and paid during the year for the year ended 30 June 2018. No dividend has been declared or paid for the year ended 30 June 2019 as yet.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Sandringham on 23 September 2019.

Graham Ludecke
Director

Auditor's independence declaration

rsd Audit

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Bendigo, Victoria
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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Sandringham Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 25 September 2019

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

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

	Notes	2019 $	2018 $
Revenue	2	906,984	919,775
Expenses			
Employee benefits expense	3	(444,480)	(425,709)
Depreciation and amortisation	3	(20,576)	(36,965)
Bad and doubtful debts expense	3	(800)	(3,529)
Marketing expenses		(42,212)	(43,851)
IT costs		(48,715)	(45,881)
Rental expenses		(61,514)	(60,000)
Rates (town/water/land tax)		(15,191)	(15,080)
Insurance expenses		(13,124)	(12,875)
Auditors remuneration		(5,180)	(4,940)
Other expenses		(107,428)	(100,184)
		(759,220)	**(749,014)**
Operating profit before charitable donations & sponsorship		**147,764**	**170,761**
Charitable donations and sponsorships		(78,218)	(416,380)
Profit/(loss) before income tax		**69,546**	**(245,619)**
Income tax benefit	4	47,837	1,330
Profit/(loss) for the year after income tax		**117,383**	**(244,289)**
Other comprehensive income		-	-
Total comprehensive income for the year		**117,383**	**(244,289)**
Profit/(loss) attributable to members of the company		117,383	(244,289)
Total comprehensive income attributable to members of the company		**117,383**	**(244,289)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	16	19.24	(40.05)

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	536,750	425,007
Trade and other receivables	6	82,215	97,481
Investments and Other financial assets	7	42,455	33,506
Current tax asset	4	12,437	11,947
Total current assets		**673,857**	**567,941**
Non-current assets			
Property, plant and equipment	8	14,790	22,158
Intangible assets	9	41,830	55,039
Deferred tax assets	4	72,197	24,621
Total non-current assets		**128,817**	**101,818**
Total assets		**802,674**	**669,759**
Liabilities			
Current liabilities			
Trade and other payables	11	96,902	41,611
Provisions	12	92,640	80,758
Total current liabilities		**189,542**	**122,369**
Non-current liabilities			
Trade and other payables	11	26,420	39,628
Provisions	12	7,432	9,264
Total non-current liabilities		**33,852**	**48,892**
Total liabilities		**223,394**	**171,261**
Net assets		**579,280**	**498,498**
Equity			
Issued capital	13	518,507	518,507
Retained earnings/(Accumulated losses)	14	60,773	(20,009)
Total equity		**579,280**	**498,498**

These financial statements should be read in conjunction with the accompanying notes.

Financial statements (continued)

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

	Note	Issued capital $	Retained earnings/ (Accumulated Losses) $	Total equity $
Balance at 1 July 2018		518,507	(20,009)	498,498
Comprehensive income for the year				
Profit for the year		-	117,383	117,383
		-	**117,383**	**117,383**
Transactions with owners in their capacity as owners				
Dividends paid or provided	15	-	(36,601)	(36,601)
Balance at 30 June 2019		**518,507**	**60,773**	**579,280**
Balance at 1 July 2017		518,507	260,881	779,388
Comprehensive income for the year				
Loss for the year		-	(244,289)	(244,289)
		-	**(244,289)**	**(244,289)**
Transactions with owners in their capacity as owners				
Dividends paid or provided	15	-	(36,601)	(36,601)
Balance at 30 June 2018		**518,507**	**(20,009)**	**498,498**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		912,511	892,488
Payments to suppliers and employees		(751,517)	(1,134,411)
Dividends received		606	562
Interest received		9,132	11,870
Income tax paid		(230)	(8,605)
Net cash flows from/(used in) operating activities	**17b**	**170,502**	**(238,096)**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(4,250)
Purchase of investments		(8,949)	(562)
Purchase of intangible assets		(13,209)	(13,209)
Net cash flows used in investing activities		**(22,158)**	**(18,021)**
Cash flows from financing activities			
Dividends paid		(36,601)	(36,601)
Net cash flows used in financing activities		**(36,601)**	**(36,601)**
Net increase/(decrease) in cash held		**111,743**	**(292,718)**
Cash and cash equivalents at beginning of financial year		425,007	717,725
Cash and cash equivalents at end of financial year	**17a**	**536,750**	**425,007**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For year ended 30 June 2019

These financial statements and notes represent those of Sandringham Community Financial Services Limited.

Sandringham Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 23 September 2019.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic dependency</u>

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

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation 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 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.

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 Managers 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; and
- Sale techniques and proper customer relations.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111Construction Contracts and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

The adoption of AASB 9 has mostly impacted the following area:

The classification and measurement of the entity's equity investments in listed entities - the entity holds financial assets to hold and collect the associated cash flows. The majority of investments were previously classified as available-for-sale (AFS) investments are now measured at fair value through profit and loss (FVTPL) as the cash flows are not solely payments of principal and interest (SPPI).

Other than changes to classification there has been no other changes due to the adoption of AASB 9.

(g) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set out on the proceeding pages.

Note 1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods (continued)

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

(h) Change in accounting policies

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.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

a) when the entity has a right to receive the income and it can be reliably measured; or

b) upon receipt.

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments (continued)

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories:

a) Financial assets at amortised cost

b) Financial assets at fair value through profit and loss (FVTPL)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Investments in equity instruments fall into this category unless the company irrevocably elects at inception to account as FVTOCI.

Impairment of financial assets

AASB 9's new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

Financial Liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	97,481	97,481
Term deposits	Held to maturity	Amortised cost	24,668	24,668
Listed shares	Available for sale	FVTPL	8,838	8,838
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	81,240	81,240

Note 2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	887,246	897,343
- market development fund	10,000	10,000
	897,246	**907,343**
Other revenue		
- interest received	9,132	11,870
- other revenue	606	562
	9,738	**12,432**
Total revenue	**906,984**	**919,775**

Notes to the financial statements (continued)

Note 2. Revenue (continued)

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.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Interest, dividend and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

Dividend and other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, inlcuding interest rates.

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as ‘core banking products’, however it also reserves the right to change the products and services identified as ‘core banking products’, providing 30 days notice is given. The core banking products, as at the end of the financial year included: Deposits (At Call, Community Sector, Financial Markets, Term Deposits, Financial Planning and Superannuation) and Loans (Housing, Leasing, Personal, Revolving Credit, and Small Business and Commercial).

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the 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 earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

Fee income is a share of ‘bank fees and charges’ charged to customers by Bendigo and Adeliade Bank Limited, including fees for loan applications and account transactions.

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as “Market Development Fund” (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the Board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Note 2. Revenue (continued)

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adeliade Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

Note 3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	365,637	357,656
- superannuation costs	39,562	39,125
- other costs	39,281	28,928
	444,480	**425,709**
Depreciation and amortisation		
Depreciation		
- plant and equipment	7,367	24,034
	7,367	**24,034**

Supporting our local community

Over 80% of profits returned to our community

Sandringham Community Bank Branch has contributed more than $2 million to local community groups and organisations over the past 16 years. We're proud to have supported the following clubs, organisations and groups.

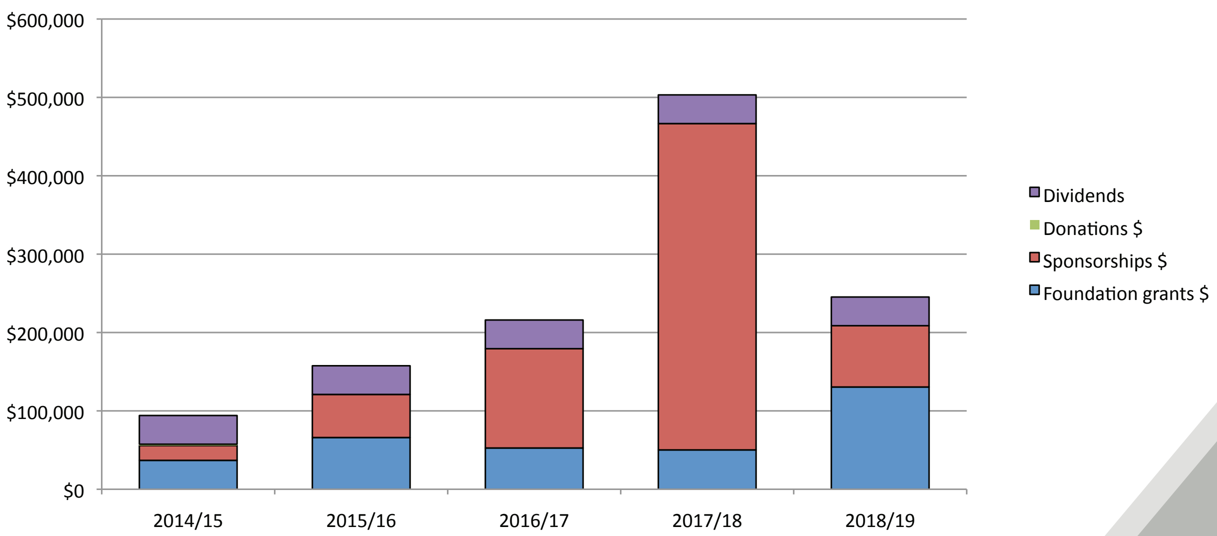
More than
$2 million
contributed to community groups and organisations.

Community Groups/ Organisations

Victorian Jazz Club

Sandybeach Centre buses

Donations, grants, sponsorships and dividends



Supporting our local community

Community Initiatives/Events

Bayside Youth Awards

Sandringham Traders' Fair

Battle of the Boots

Rotary Club of Sandringham (Santa Rally Christmas event)

Supporting our local community

Schools and Kindergartens

Nagle PreSchool Association

Sandringham Primary School

St Mary's Primary School

Supporting our local community

Sporting groups

Sandringham Bowls Club

Sandringham Little Athletics Centre

Hampton Junior Soccer Club

South East Cricket Umpires Association

Sandringham Football Club

Hampton Rovers

Hampton Cricket Club

Sandringham Croquet Association

Sandringham Dragons

Hampton RSL Bowling Club

East Sandringham Junior Football Club

	2019 $	2018 $
Note 3. Expenses (continued)		
Amortisation		
- franchise fees	13,209	12,931
	13,209	**12,931**
Total depreciation and amortisation	**20,576**	**36,965**
Bad and doubtful debts expenses	800	3,529
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,180	4,940
	5,180	**4,940**

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Depreciation and Amortisation

The depreciable amount of all fixed and intangible assets, are all depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of asset	**Rate**	**Method**
Plant and equipment	5 - 33%	Diminishing value
Franchise fees	20%	Straight line

	2019 $	2018 $
Note 4. Income tax		
a. The components of tax expense comprise:		
Current tax expense	-	-
Deferred tax expense	(47,576)	(773)
Under / (over) provision of prior years	(261)	(557)
	(47,837)	**(1,330)**
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 27.5% (2018: 27.5%)	19,125	(67,545)

	2019 $	2018 $
Note 4. Income tax (continued)		
b. Prima facie tax payable (continued)		
Add tax effect of:		
- Under / (over) provision of prior years	(191)	(557)
- Donations**	(66,772)	66,772
Income tax benefit attributable to the entity	**(47,838)**	**(1,330)**
The applicable weighted average effective tax rate is:	68.78%	-0.54%
c. Current tax asset		
Current tax relates to the following:		
Current tax asset		
Opening balance	(11,947)	(2,785)
Income tax paid	(230)	(8,605)
Under / (over) provision prior years	(260)	(557)
	(12,437)	**(11,947)**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Undeducted Donations	45,145	-
Employee provisions	27,520	24,756
Accrued income	(468)	(135)
Net deferred tax asset / liability	**72,197**	**24,621**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(47,909)	(765)
(Decrease) / increase in deferred tax liabilities	334	(8)
	(47,575)	**(773)**

** As a result of the large donation made to the Sandringham Hospital in the year ended 30 June 2018, the ATO has approved for the company to spread the deduction over a 5 year period. This is recognised as a Deferred Tax Asset.

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Notes to the financial statements (continued)

	2019 $	2018 $

Note 5. Cash and cash equivalents

Cash at bank and on hand	91,241	100,088
Short-term bank deposits	445,509	324,919
	536,750	**425,007**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

The effective interest rate on the short-term bank deposits was 2.25% (2018: 2%); this deposit has an average maturity of 60 days.

	2019 $	2018 $

Note 6. Trade and other receivables

Current		
Trade receivables	75,190	75,726
Other receivables	7,025	21,755
	82,215	**97,481**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established in accordance with the expected credit loss model, or when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

Note 6.Trade and other receivables (continued)

Credit risk (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2019						
Trade receivables	75,190	-	-	-	-	75,190
Other receivables	7,025	-	-	-	-	7,025
Total	**82,215**	**-**	**-**	**-**	**-**	**82,215**
2018						
Trade receivables	75,726	-	-	-	-	75,726
Other receivables	21,755	-	-	-	-	21,755
Total	**97,481**	**-**	**-**	**-**	**-**	**97,481**

Note 7. Investments and Other financial assets

	2019 $	2018 $
Financial assets at amortised cost		
Australian Term deposits > 3 months	33,617	24,668
Financial assets at fair value through profit and loss		
Listed investments	8,838	8,838
	42,455	**33,506**

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- fair value through profit or loss (FVTPL)
- amortised cost

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

Note 7. Investments and Other financial assets (continued)

(b) Measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FUTPL.

(c) Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 8. Plant and equipment

	2019 $			2018 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Plant and equipment - at cost	209,951	(195,161)	14,790	209,951	(187,793)	22,158
Total plant and equipment	**209,951**	**(195,161)**	**14,790**	**209,951**	**(187,793)**	**22,158**

<u>Plant and equipment</u>

Plant and equipment are measured on the cost basis less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None)

(b) Movements in carrying amounts of P&E

	$			
2019	**Opening written down value**	**Additions**	**Depreciation**	**Closing written down value**
Plant and equipment	22,158	-	(7,367)	14,791
Total property, plant and equipment	**22,158**	**-**	**(7,367)**	**14,791**

	$			
2018	**Opening written down value**	**Additions**	**Depreciation**	**Closing written down value**
Plant and equipment	41,942	4,250	(24,034)	22,158
Total plant and equipment	**41,942**	**4,250**	**(24,034)**	**22,158**

Notes to the financial statements (continued)

Note 9. Intangible assets

	2019 $			2018 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	123,733	(81,903)	41,830	123,733	(68,694)	55,039
Total intangible assets	**123,733**	**(81,903)**	**41,830**	**123,733**	**(68,694)**	**55,039**

Movements in carrying amounts

2019	Opening written down value	Additions	Amortisation	Closing written down value
Franchise fees	55,039	-	(13,209)	41,830
Total intangible assets	**55,039**	**-**	**(13,209)**	**41,830**

2018	Opening written down value	Additions	Amortisation	Closing written down value
Franchise fees	1,923	66,047	(12,931)	55,039
Total intangible assets	**1,923**	**66,047**	**(12,931)**	**55,039**

Note 10. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

	2019 $	2018 $

Note 11. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	82,466	61,204
GST Payable	14,436	(19,593)
	96,902	**41,611**

	2019 $	2018 $
Note 11. Trade and other payables (continued)		
Non Current		
Unsecured liabilities:		
Trade creditors	26,420	39,629
	26,420	**39,629**
Total Trade and other payables	**123,322**	**81,240**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

The average credit period on trade and other payables is one month.

Note 12. Provisions

	2019 $	2018 $
Current		
Employee benefits	92,640	80,758
Non-current		
Employee benefits	7,432	9,264
Total provisions	**100,072**	**90,022**

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

	2019 $	2018 $

Note 13. Share capital

	2019 $	2018 $
610,008 Ordinary shares fully paid	518,507	518,507
Less: Equity raising costs	-	-
	518,507	**518,507**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	610,008	610,008
Shares issued during the year	-	-
At the end of the reporting period	**610,008**	**610,008**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

(b) 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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the company 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; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

	2019 $	2018 $

Note 14. Retained earnings/(Accumulated losses)

Balance at the beginning of the reporting period	(20,009)	260,881
Profit/(loss) for the year after income tax	117,383	(244,289)
Dividends paid	(36,601)	(36,601)
Balance at the end of the reporting period	**60,773**	**(20,009)**

Note 15. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 6 cents per share (2018:6 cents) franked at the tax rate of 27.5% (2018: 27.5%).	36,601	36,601

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

	2019 $	2018 $

Note 16. Earnings per share

Basic earnings per share (cents)	19.24	(40.05)
Earnings used in calculating basic earnings per share	117,383	(244,289)
Weighted average number of ordinary shares used in calculating asic earnings per share	610,008	610,008

Basic earnings per share

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

	2019 $	2018 $

Note 17. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

Cash and cash equivalents (Note 5)	536,750	425,007
As per the Statement of Cash Flow	**536,750**	**425,007**

	2019 $	2018 $

Note 17. Statement of cash flows (continued)

(b) Reconciliation of cash flow from operations with profit/loss after income tax

	2019 $	2018 $
Profit/(loss) for the year after income tax	117,383	(244,289)
Non-cash flows in profit		
- Depreciation and amortisation	20,576	36,965
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	15,267	(14,855)
- (Increase) / decrease in deferred tax asset	(47,575)	(773)
- Increase / (decrease) in trade and other payables	55,292	(8,765)
- Increase / (decrease) in current tax liability	(490)	(9,162)
- Increase / (decrease) in provisions	10,050	2,783
Net cash flows from / (used in) operating activities	**170,501**	**(238,096)**

Note 18. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2019 $	2018 $
Short-term employee benefits	17,563	20,000
Total key management personnel compensation	**17,563**	**20,000**

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

Note 18. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties (continued)

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value $
Caitlin Eves (Director)	Consultancy Services (Marketing)	2,750
Cindy O'Donoghue (Director)	Secretarial Services	15,000

The Sandringham Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The estimated benefits from the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package per Director is as follows:

	2019	2018
Director		
Cindy Nora Jessica O'Donoghue	104	17

(d) Key management personnel shareholdings

The number of ordinary shares in Sandringham Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2019	2018
Graham Manson Ludecke	6,500	6,500
Michael John Davies	1,000	1,000
	7,500	**7,500**

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

Ian Siebert holds indirectly 1,000 shares into his family superannuation fund, "Davies Siebert Superannuation Fund".

Note 19. Events after the reporting period

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

Note 20. Contingent liabilities and contingent assets

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

Notes to the financial statements (continued)

Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Sandringham, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2018: 100%).

	2019 $	2018 $

Note 22. Commitments

Operating lease commitments		
Payable:		
- no later than 12 months	69,357	66,000
- between 12 months and five years	143,959	198,000
Minimum lease payments	**213,316**	**264,000**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

Non-cancellable operating leases contracted for are not capitalised in the Statement of Financial Position.

Note 23. Company details

The registered office and principal place of business is 75 Station Street, Sandringham, Victoria, 3191.

Note 24. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board’s objectives, policies and processes for managing or measuring the risks from the previous period.

The company’s financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 9 Financial Instruments:as detailed in the accounting policies are as follows:

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	536,750	425,007
Trade and other receivables	6	82,215	97,481
Financial assets	7	42,455	33,506
Total financial assets		**661,420**	**555,994**

Note 24. Financial instrument risk (continued)

Specific financial risk exposure and management (continued)

	Note	2019 $	2018 $
Financial liabilities			
Trade and other payables	11	123,322	81,240
Total financial liabilities		**123,322**	**81,240**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2018: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Notes to the financial statements (continued)

Note 24. Financial instrument risk (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.88%	536,750	536,750	-	-
Trade and other receivables		82,215	82,215	-	-
Financial assets	2.11%	42,455	42,455	-	-
Total anticipated inflows		**661,420**	**661,420**	**-**	**-**
Financial liabilities					
Trade and other payables		123,322	96,902	26,420	-
Total expected outflows		**123,322**	**96,902**	**26,420**	**-**
Net inflow on financial instruments		**538,098**	**564,518**	**(26,420)**	**-**

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.31%	425,007	425,007	-	-
Trade and other receivables		97,481	97,481	-	-
Financial assets	2.40%	33,506	33,506	-	-
Total anticipated inflows		**555,994**	**555,994**	**-**	**-**
Financial liabilities					
Trade and other payables		81,240	41,611	39,629	-
Total expected outflows		**81,240**	**41,611**	**39,629**	**-**
Net inflow on financial instruments		**474,754**	**514,383**	**(39,629)**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The entity also has an immaterial other price risk in relation to its listed investments. The company has no exposure to fluctuations in foreign currency

The financial instruments that primarily expose the company to interest rate risk are fixed interest securities, and cash and cash equivalents.

Note 24. Financial instrument risk (continued)

(c) Market risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	2019		2018	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	4,199	4,199	3,324	3,324
	4,199	**4,199**	**3,324**	**3,324**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Directors' declaration

In accordance with a resolution of the Directors of Sandringham Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 38 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2019 and of the performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Graham Ludecke
Director

Signed at Sandringham, Victoria on 23 September 2019.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SANDRINGHAM COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Sandringham Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(a) the financial report of Sandringham 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 performance for the year then ended; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 to cease operations, or have no realistic alternative but to do so.

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309

Independent audit report (continued)

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

rsd Audit

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, 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, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD AUDIT

Kathie Teasdale
Partner
Bendigo
Dated: 25 September 2019

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