Annual Report 2019

San Remo District Financial Services Limited




San Remo, Cowes and Grantville & District **Community Bank**® Branches

ABN 20 102 770 150

Contents

Chair’s report

For year ending 30 June 2019

I am delighted to confirm with our Shareholders that San Remo District Financial Services Ltd has continued with extraordinary support for our community through the operation of the three **Community Bank®** Branches of the Bendigo Bank at San Remo, Cowes and Grantville. In the last financial year alone over $500,000 has been returned in Sponsorships, Grants and Shareholder Dividends. This amounts to a total of nearly $4 million since our first branch opened 16 years ago.

The Community Bank model established by the Bendigo Bank is unique in the world and enables local communities to own their own financial destiny. Here, Bendigo Bank provides comprehensive and confidential banking services through Franchise agreements with San Remo District Financial Services and all the margins are shared. Once all the expenses of running the three branches are met then funds are available for Sponsorship, Marketing, Grants and a return to our Shareholders. Our constitution requires our company to return 80% of profits to the community and up to 20% to shareholders. Dividends have been declared each year once reaching profits.

It is clear to see that it is our customers that drive this success. Every customer makes a difference, at whatever level of banking services they choose, and they can be proud of the contribution they are making to their community.

Michael Scott, our Manager, and the wonderful staff at our Branches, have provided excellent service to their customers. They have a commitment to the **Community Bank®** concept and have participated in many events and activities. The Board is very proud of what they have achieved.

For the Board itself it has been a time of change and challenge in the last twelve months. Our founding Chairman, Terry Ashenden, resigned in February after 17 years of dedicated service to the Company and to the community. His legacy is enormous. The success of establishing Cowes and Grantville was due much to Terry’s vision and determination. I would like to use this opportunity to acknowledge publicly the contribution that Terry has made to the community and to thank him.

I, too, will be retiring from the Board at the AGM. It has been an exciting journey since that first public meeting in April 2002 and it is a journey I have been proud to be part of. My appreciation and thanks go to my fellow Directors and to the Bendigo Bank staff for their support and guidance.

There will be much to achieve over the next few years by San Remo District Financial Services Ltd, building on the success of the collaboration of the Bank and our fantastic Community.

Miranda Sage
Chair

Manager's report

For year ending 30 June 2019

The 2018/2019 financial year has again seen growth across all 3 branches despite numerous factors such as record low cash rates, the level of competitiveness from other institutions and not to mention The Banking Royal Commission.

Our consolidated footings at the end of the financial year reached $317.6m, an increase for the year of $9.3m, which whilst below target was still an excellent effort.

The pleasing thing from a Board point of view was our Profit for the year. Even after we contributed over $420,000 in Sponsorship, we were still able to show a Profit for the year of $111,000- against a Budget of $55,000 – a 201% result.

San Remo District **Community Bank®** Branch had combined growth of $5.15m
Cowes **Community Bank®** Branch had combined growth of $4.03m
Grantville & District **Community Bank®** Branch had combined growth of $143k

This year we again contributed to numerous Groups and Services, most notably the Dalyston Recreation Reserve Clubrooms, Grantville Tennis Club Upgrade and a large contribution to the San Rem Bowls Club to assist in the installation of a new synthetic green. We have continued to support sporting clubs such as the local Football Clubs, Phillip Island, Dalyston & Kilcunda Bass as well as local Bowls Clubs, Tennis Clubs, just to name a few, plus many more.

After great stability in our Staffing ranks, this year has seen the biggest shuffle of staff in my time with the Bank. Staff movement was as follows:

- Donna Condoluci transferred from Cowes to Morwell branch
- Jo Smith transferred from Grantville Branch to Loan Services in Queensland
- Marcia Wilson transferred from San Remo Branch
- Robyn George transferred from Cowes Branch to Wonthaggi Branch
- Prue Jolly resigned to open up her own Business in Cowes

We thank all of the above staff for their contribution to our Company over many years and wish them all well in their new roles

With those staff leaving, we had to bring new and experienced staff in, so the new staff are as follows :-

- Penelope Lyttle transferred from Wonthaggi to San Remo
- Marlene Abela transferred from Wonthaggi to Grantville
- Kelly Hocking was employed to work between Grantville & San Remo
- Kylie Odgers was employed at Cowes Branch
- Amy Hammond was also employed at Cowes Branch
- Tanya Donnan transferred from San Remo Branch to Cowes Branch

I would like to take this opportunity to personally thank all of the staff (all 15 of them) for making my job easier. The customer service that our staff provide is amazing, as is the team work between all 3 branches and no doubt this is a major contributor to our ongoing success.

I would again like to acknowledge our Volunteer Board Members who have also been of great support and continue to support your Community. I would like to give a special thanks to Terry Ashenden, who resigned earlier this year, after 17 years as our Board Chairman. Terry's passion and commitment to his Community was amazing and the work that he contributed to our Group can never be underestimated. I will always be forever grateful for his support and the knowledge of Community Banking that he has passed on. I wish Terry and Dawn all the best in their retirement.

To our Regional Team, led by Gerry, thank you for all of your assistance throughout the year. I would also like to again personally thank Louise Gavros, our Risk & Compliance Manager for her help and assistance throughout the year. I would also like to thank our Business Banking Team of Gary Baumgartner, Lauren Wilson and Andrew Klaskala for your ongoing support

Our shareholders and customers deserve the accolades, because they create the biggest impact on this business. Without you, there is no Community Investment Program. Your banking is building a better community and the more we can grow by attracting more business, the more we can all make a difference. Please refer all your family, friends and work colleagues to us so we can continue to grow and increase our community investment.

Michael Scott
Manager – San Remo District, Cowes and Grantville & District Community Bank® branches

Dividend Payment history

Financial Year	Amount Per Share	Franking Level
2017/18	.06	Fully franked
2016/17	.06	Fully franked
2015/16	.06	Fully franked
2014/15	.04	Fully franked
2013/14	.06	Fully franked
2012/13	.06	Fully franked
2011/12	.03	Fully franked
2010/11	.03	
2009/10	.03	
2008/09	.05	
2006/07	.02	

Directors' report

For year ending 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 San Remo during District Financial Services Limited during or since the end of the financial year up to the date of this report:

Miranda Sage	
Position	Director and Chair from February 2019 Member of the Audit/Governance committee, Human Resources committee, Marketing & Development committee and Public Relations/Media committee and Agenda planning.
Professional qualifications	Pharmacist (retired)
Experience and expertise	Former councillor and mayor of the Bass Coast Shire, Chief pharmacist at Wonthaggi Hospital.
Joan Matthews	
Position	Director and Vice Chair from February 2019 Member of the Marketing & Development committee, Human Resources committee and Sponsorship committee.
Professional qualifications	Diploma of Accounting
Experience and expertise	National Sales and Marketing Manager for Park Units, small business operator for 25 years.
Janice Rowlingson	
Position	Director and Treasurer Member of the Audit/Governance committee and Human Resources committee.
Professional qualifications	Cert IV Business Administration; Cert IV Accounting
Experience and expertise	Small business owner / operator for six years. 15 years' experience working with a CPA firm.
Caroline Talbot, JP	
Position	Director and Company Secretary Member of the Audit/Governance committee, Sponsorship committee, Public Relations/Media committee and Agenda Planning.
Professional qualifications	Cert III Business Administration, Justice of the Peace.
Experience and expertise	25 years school office manager, member of Community Advisory Group, Wonthaggi Regional Health.
Greg Mead	
Position	Director Member of the Marketing and Development Committee.
Professional qualifications	Nil
Experience and expertise	28 years of experience on RSL committees, with nine years of experience as president of the Phillip Island RSL board.
Peter Paul, JP	
Position	Director Member of the HR Committee and Marketing and Development committee
Professional qualifications	B.A., B. Ed., B Tech., T.P.T.C, Justice of the Peace
Experience and expertise	School principal for over 30 years, former councillor and mayor of Bass Coast Shire.
Bruce Procter	
Position	Director Member of the Marketing and Development committee and Sponsorship committee
Professional qualifications	Certificate Course in Post Office Administration
Experience and expertise	Past director of Waverly Hospital and past director of Bass Coast Regional Health.

Directors' report *(continued)*

Patrick Russell	
Position	Director Member of the Marketing and Development committee and Sponsorship committee
Professional qualifications	Cert IV Training Diploma Management
Experience and expertise	Nil
Paul Waylen	
Position	Director Member of the Audit/Governance committee and Human Resources committee.
Professional qualifications	Engineer
Experience and expertise	Director and owner of engineering company for over 40 years.
Terry Ashenden	
Position	Director and Chairperson – retired February 2019 Past member of the Audit/Governance committee, Human Resources committee, Marketing & Development committee, Public Relations/Media committee and Agenda planning.
Professional qualifications	Nil
Experience and expertise	Production and planning manager at Lysaght's Hastings for five years. Turf accountant and small business owner for 25 years.

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

Joan Matthews is Landlord of the rented premises for San Remo Community Bank branch.

Directors' report *(continued)*

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Miranda Sage	11	8
Joan Matthews	11	9
Greg Mead	11	9
Peter Paul	11	9
Bruce Procter	11	11
Janice Rowlingson	11	9
Patrick Russell	11	8
Caroline Talbot	11	11
Paul Waylen	11	7
Terry Ashenden	7	6

A - The number of meetings eligible to attend.

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

Company Secretary
Leonie Gardiner was the Company Secretary of San Remo District Community Financial Services Limited until February 2019. Caroline Talbot has been the Company Secretary of San Remo District Community Financial Services Limited since this date.

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 $68,844 (2018 profit: $115,616), which is a 40% decrease as compared with the previous year. The change is due to a 44k increase in charitable donations & sponsorship (2018: $377,801) (2019: $422,106)

Dividends
A fully franked final dividend of 6 cents per share was declared and paid during the 2019 financial year for the year ended 30 June 2018.

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.

Directors’ report *(continued)*

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.

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 9 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 San Remo on 24 September 2019.

Miranda Sage
Director

Auditor's Independence Declaration

rsd Audit
41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC,
3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of San Remo District 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: 24 September 2019

Financial Statements

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

	Note	2019 $	2018 $
Revenue	2	2,107,152	2,110,100
Expenses			
Employee benefits expense	3	(1,065,681)	(1,038,896)
Depreciation and amortisation	3	(81,663)	(87,376)
Finance costs	3	(378)	(633)
Bad and doubtful debts expense	3	(810)	2,790
Administration and general costs		(129,779)	(147,985)
Advertising and marketing		(40,229)	(39,106)
Occupancy expenses		(145,275)	(141,888)
IT expenses		(84,522)	(82,829)
Other expenses		(40,833)	(36,387)
		(1,589,170)	(1,572,310)
Operating profit before charitable donations & sponsorship		**517,982**	**537,790**
Charitable donations and sponsorships		(422,106)	(377,801)
Profit before income tax		**95,876**	**159,989**
Income tax expense	4	(27,031)	(44,373)
Profit for the year after income tax		**68,845**	**115,616**
Other comprehensive income		-	-
Total comprehensive income for the year		**68,845**	**115,616**
Profit attributable to members of the company		68,845	115,616
Total comprehensive income attributable to members of the company		**68,845**	**115,616**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	19	4.62	7.77

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

Financial Statements (continued)

Statement of Financial Position as at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	263,467	217,633
Trade and other receivables	6	124,716	155,072
Financial assets	7	182,937	177,826
Current tax asset	4	4,332	-
Other assets	8	7,549	6,945
Total current assets		**583,001**	**557,476**
Non-current assets			
Property, plant and equipment	9	1,024,848	1,041,825
Intangible assets	10	50,836	91,505
Deferred tax assets	4	11,507	11,553
Total non-current assets		**1,087,191**	**1,144,883**
Total assets		**1,670,192**	**1,702,359**
Liabilities			
Current liabilities			
Trade and other payables	12	42,348	49,130
Current tax liability	4	-	13,391
Borrowings	13	8,817	8,444
Provisions	14	174,653	156,104
Total current liabilities		**225,818**	**227,069**
Non-current liabilities			
Borrowings	13	6,095	14,912
Provisions	14	5,096	6,716
Total non-current liabilities		**11,191**	**21,628**
Total liabilities		**237,009**	**248,697**
Net assets		**1,433,183**	**1,453,662**
Equity			
Issued capital	15	1,423,739	1,423,739
Retained earnings	16	9,444	29,923
Total equity		**1,433,183**	**1,453,662**

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 $	Total equity $
Balance at 1 July 2018		**1,423,739**	**29,923**	**1,453,662**
Balance at 1 July 2018 (restated)		**1,423,739**	**29,923**	**1,453,662**
Comprehensive income for the year				
Profit for the year		-	68,845	68,845
		-	**68,845**	**68,845**
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(89,324)	(89,324)
Balance at 30 June 2019		**1,423,739**	**9,444**	**1,433,183**
Balance at 1 July 2017		1,423,739	3,635	1,427,374
Comprehensive income for the year				
Profit for the year		-	115,616	115,616
		-	**115,616**	**115,616**
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(89,328)	(89,328)
Balance at 30 June 2018		**1,423,739**	**29,923**	**1,453,662**

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

Financial Statements (continued)

Statement of Cash Flows for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,341,339	3,572,183
Payments to suppliers and employees		(2,146,849)	(3,325,333)
Interest paid		-	(633)
Interest received		5,121	3,436
Income tax paid		(44,708)	(61,984)
Net cash flows provided by operating activities	20b	**154,903**	**187,669**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	9,091
Payments for purchase of intangibles		-	(67,781)
Purchase of property, plant and equipment		(24,018)	(46,052)
Purchase of investments		(5,111)	(3,428)
Net cash flows used in investing activities		**(29,129)**	**(108,170)**
Cash flows from financing activities			
Proceeds from leases		-	26,090
Repayment of borrowings		-	(23,778)
Repayment of leases		(8,444)	(14,241)
Dividends paid		(71,496)	(88,655)
Net cash flows used in financing activities		**(79,940)**	**(100,584)**
Net increase/(decrease) in cash held		**45,834**	**(21,085)**
Cash and cash equivalents at beginning of financial year		217,633	238,718
Cash and cash equivalents at end of financial year	20a	**263,467**	**217,633**

Notes to the Financial Statements

for the year ended 30 June 2019

These financial statements and notes represent those of San Remo District Financial Services Limited.

San Remo District 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.

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.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at San Remo, Cowes and Grantville.

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.

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.

1. Summary of significant accounting policies (continued)

(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

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

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

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.

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 111 *Construction 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.

1. Summary of significant accounting policies (continued)

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

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.

(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.

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 standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $79.971 which are expected to be recognised in a right of use assset and and corresponding liability.

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.

1. Summary of significant accounting policies (continued)

(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.

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, other than those designated and effective as hedging instruments, are classified as financial assets at amortised cost.

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.

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments (continued)

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.

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.

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments (continued)

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	155,072	155,072
Term deposits	Held to maturity	Amortised cost	177,826	177,026
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	49,130	49,130
Borrowings	Amortised cost	Amortised cost	23,356	23,356

2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	2,100,153	2,105,470
	2,100,153	2,105,470
Other revenue		
- interest received	4,125	3,816
- other revenue	2,874	814
	6,999	4,630
Total revenue	**2,107,152**	**2,110,100**

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

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

Rendering of services
The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

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.

2. Revenue (continued)

Form and Amount of Financial Return (continued)

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.

3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	923,195	897,457
- superannuation costs	81,805	81,833
- other costs	60,681	59,606
	1,065,681	1,038,896
Depreciation and amortisation		
Depreciation		
- plant & equipment	13,803	18,375
- leasehold improvements	16,002	16,500
- buildings	11,190	11,833
	40,995	46,708
Amortisation		
- franchise fees	40,668	40,668
Total depreciation and amortisation	81,663	87,376
Finance costs		
- Interest paid	378	633
Bad and doubtful debts expenses	810	(2,790)
Loss on disposal of property, plant and equipment	-	2,143
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	7,000	6,750
	7,000	6,750

3. Expenses (continued)

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation and amortisation

The depreciable amount of all fixed assets, including buildings leasehold improvements and plant and equipment, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	*Rate*	*Method*
Buildings	2.5%	Straight line
Leasehold improvements	2.5% - 13%	Straight line
Plant and equipment	10% - 33%	Straight line
Franchise fees	20%	Straight line

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

4. Income tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	26,985	45,230
Deferred tax expense	46	(857)
	27,031	**44,373**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	26,366	43,997
Add tax effect of:		
- Impact of change in tax rate on timing differences	-	-
- Non-deductible expenses	665	376
Income tax attributable to the entity	**27,031**	**44,373**
The applicable weighted average effective tax rate is:	28.19%	27.74%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	13,391	30,145
Income tax paid	(44,707)	(61,984)
Current tax	26,985	45,230
Under / (over) provision prior years	(1)	-
	(4,332)	**13,391**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	1,705	1,568
Employee provisions	18,528	18,775
	20,233	**20,343**
Deferred tax liabilities comprise:		
Prepayments	1,867	1,350
Property, plant & equipment	6,859	7,440
	8,726	8,790
Net deferred tax asset	**11,507**	**11,553**
Total carried forward tax losses not recognised as deferred tax assets:	-	-
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	110	115
(Decrease) / increase in deferred tax liabilities	(64)	(972)
	46	**(857)**

4. Income tax (continued)

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.

5. Cash and cash equivalents

	2019	2018
	$	$
Cash at bank and on hand	263,467	217,633
	263,467	**217,633**

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

6. Trade and other receivables

	2019	2018
	$	$
Current		
Trade receivables	124,445	153,805
Other receivables	271	1,267
	124,716	**155,072**

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.

6. Trade and other receivables (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	124,445	124,445	-	-	-	-
Other receivables	271	271	-	-	-	-
Total	**124,716**	**124,716**	**-**	**-**	**-**	**-**
2018						
Trade receivables	153,805	153,805	-	-	-	-
Other receivables	1,267	1,267	-	-	-	-
Total	**155,072**	**155,072**	**-**	**-**	**-**	**-**

7. Financial assets

	2019 $	2018 $
Financial assets at amortised cost		
Term deposits	182,937	177,826
	182,937	177,826

The effective interest rate on the bank deposits was 1.81% (2018: 2.1%). These term deposits have maturity dates of of between 4 and 6 months.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

• amortised cost
• loans and receivables

Classifications are determined by both:

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

(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 term deposits that were previously classified as held-to-maturity under AASB 139.

7. Financial assets (continued)

(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.

8. Other assets

	2019 $	2018 $
Prepayments	6,789	6,438
Borrowing costs	260	7
Security deposit	500	500
	7,549	**6,945**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

9. Property, plant and equipment

	2019 $			2018 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Land and buildings	816,513	(69,431)	747,082	816,513	(58,241)	758,272
Leasehold improvements	437,636	(216,317)	221,319	422,530	(204,995)	217,535
Plant and equipment	269,231	(212,784)	56,447	264,999	(198,981)	66,018
Total property, plant and equipment	**1,523,380**	**(498,532)**	**1,024,848**	**1,504,042**	**(462,217)**	**1,041,825**

Land and buildings

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings 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 land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from 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.

Plant and equipment

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.

9. Property, plant and equipment (continued)

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 PP&E

2019	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
Land and buildings	758,272	-	-	(11,190)	747,082
Leasehold improvements	217,535	19,786	-	(16,002)	221,319
Plant and equipment	66,018	4,232	-	(13,803)	56,447
Total property, plant and equipment	**1,041,825**	**24,018**	**-**	**(40,995)**	**1,024,848**

2018	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
Land and buildings	770,105	-	-	(11,833)	758,272
Leasehold improvements	234,035	-	-	(16,500)	217,535
Plant and equipment	49,575	46,052	(11,234)	(18,375)	66,018
Total property, plant and equipment	**1,053,715**	**46,052**	**(11,234)**	**(46,708)**	**1,041,825**

10. Intangible assets

	2019 $ At cost	2019 $ Accumulated amortisation	2019 $ Written down value	2018 $ At cost	2018 $ Accumulated amortisation	2018 $ Written down value
Franchise fees	203,343	(152,507)	50,836	203,343	(111,838)	91,505
Total intangible assets	**203,343**	**(152,507)**	**50,836**	**203,343**	**(111,838)**	**91,505**

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

Movements in carrying amounts

2019	Opening written down value	Amortisation	Closing written down value
Franchise fees	91,505	(40,669)	50,836
Total intangible assets	**91,505**	**(40,669)**	**50,836**

2018	Opening written down value	Amortisation	Closing written down value
Franchise fees	132,173	(40,668)	91,505
Total intangible assets	**132,173**	**(40,668)**	**91,505**

11. 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.

12. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	5,271	9,096
Other creditors and accruals	37,077	40,034
	42,348	**49,130**

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.

13. Borrowings

	2019 $	2018 $
Current		
Secured liabilities		
Chattel mortgage	8,817	8,444
	8,817	**8,444**
Non-current		
Secured liabilities		
Chattel mortgage	6,095	14,912
	6,095	**14,912**
Total borrowings	**14,912**	**23,356**

Borrowings as 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.

Chattel mortgage
Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as chattel mortgages (finance leases).

Chattel mortgages are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

14. Provisions

	2019 $	2018 $
Current		
Provision for dividends	112,375	94,547
Employee benefits	62,278	61,557
Non-current		
Employee benefits	5,096	6,716
Total provisions	**179,749**	**162,820**

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.

Provision for dividends

Provision for dividends includes dividends which have been declared before 30 June 2019, but not paid.

15. Share capital

650,011 Ordinary shares fully paid of $1 each	650,011	650,011
436,498 Ordinary shares fully paid of $1 each for Cowes branch	436,498	436,498
337,230 Ordinary shares fully paid of $1 each for Grantville branch	337,230	337,230
65,000 1:10 Bonus shares issued for no consideration	-	-
	1,423,739	**1,423,739**

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	1,488,739	1,488,739
Shares issued during the year	-	-
At the end of the reporting period	**1,488,739**	**1,488,739**

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.

16. Retained earnings

	2019 $	2018 $
Balance at the beginning of the reporting period	29,923	3,635
Profit for the year after income tax	68,845	115,616
Dividends paid	(89,324)	(89,328)
Balance at the end of the reporting period	**9,444**	**29,923**

17. 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%).	89,324	89,328

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.

19. Earnings per share

Basic earnings per share (cents)	4.62	7.77
Earnings used in calculating basic earnings per share	68,845	115,616
Weighted average number of ordinary shares used in calculating basic earnings per share	1,488,739	1,488,739

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.

20. Statement of cash flows

	2019 $	2018 $
(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)	263,467	217,633
As per the Statement of Cash Flow	**263,467**	**217,633**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	68,844	115,616
Non-cash flows in profit		
- Depreciation and amortisation	81,663	87,376
- Bad debts	810	-
- Net loss on disposal of property, plant & equipment	-	2,143
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	29,546	(8,342)
- (Increase) / decrease in prepayments and other assets	(604)	2,232
- (Increase) / decrease in deferred tax asset	47	(857)
- Increase / (decrease) in trade and other payables	(6,780)	(61,107)
- Increase / (decrease) in current tax liability	(17,724)	(16,754)
- (Decrease) / increase in franchise fee payable	-	67,781
- Increase / (decrease) in provisions	(899)	(419)
Net cash flows from operating activities	**154,903**	**187,669**

21. 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.

All Director positions are held on a voluntary basis and Directors are not remunerated for their services.

(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. No Director fees have been paid as the positions are held on a voluntary basis.

Name of related party	Description	Value ($)
Park Accommodation - related party of Joan Matthews	Rent paid in respect of branch activities	49,082

San Remo District Financial Services Limited have not accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package.

21. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

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

	2019	2018
Joan Matthews	11,801	11,801
Miranda Sage	7,500	7,500
Caroline Talbot	3,200	3,200
Janice Rowlingson	3,300	3,300
Bruce Proctor	1,000	1,000
Patrick Russell	2,000	2,000
Paul Waylen	26,000	26,000
Peter Paul	500	500
Greg Mead	2,200	2,200
Terry Ashenden	5,501	5,501
	63,002	63,002

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

There has been no other transactions key management or related parties other than those described above.

22. Events after the reporting period

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

23. Contingent liabilities and contingent assets

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

24. Operating segments

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

25. Commitments

Operating lease commitments	2019 $	2018 $
Payable:		
- no later than 12 months	63,932	63,005
- between 12 months and five years	16,039	79,972
Minimum lease payments	**79,971**	**142,977**

The property leases are non-cancellable lease with five year terms, with rent payable monthly in advance, and CPI and fixed increases each year.

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

Finance lease commitments	2019 $	2018 $
Finance lease liabilities are payable exclusive of GST as follows:		
Payable:		
- no later than 12 months	9,292	9,292
- between 12 months and five years	6,194	15,486
Minimum lease payments	**15,486**	**24,778**
Less future interest charges	(574)	(1,422)
Finance lease liability	**14,912**	**23,356**

26. Company details

The registered office and principle place of business is 103A Marine Parade, San Remo, VIC 3925

28. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

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	263,467	217,633
Trade and other receivables	6	124,716	155,072
Financial assets	7	182,937	177,826
Total financial assets		**571,120**	**550,531**
Financial liabilities			
Trade and other payables	12	42,348	49,130
Borrowings	13	14,912	23,356
Total financial liabilities		**57,260**	**72,486**

(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.

28. Financial instrument risk (continued)

(a) Credit risk (continued)

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

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.

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		263,467	263,467	-	-
Trade and other receivables		124,716	124,716	-	-
Financial assets	1.85	182,937	182,937	-	-
Total anticipated inflows		571,120	571,120	-	-
Financial liabilities					
Trade and other payables		42,348	42,348	-	-
Borrowings	5.80%	14,912	8,817	6,095	-
Total expected outflows		57,260	51,165	6,095	-
Net inflow / (outflow) on financial instruments		**513,860**	**519,955**	**(6,095)**	**-**

28. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		217,633	217,633	-	-
Trade and other receivables		155,072	155,072	-	-
Financial assets	1.85%	177,826	177,826	-	-
Total anticipated inflows		550,531	550,531	-	-
Financial liabilities					
Trade and other payables		49,130	49,130	-	-
Borrowings	5.80%	23,356	8,444	14,912	-
Total expected outflows		72,486	57,574	14,912	-
Net inflow / (outflow) on financial instruments		**478,045**	**492,957**	**(14,912)**	**-**

(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.

The primary risks the company is exposed to is interest rate risk. The company has no exposure to fluctuations in foreign currency or the price risk.

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)	3,348	3,348	3,955	3,955
+/- 1% in interest rates (interest expense)	(134)	(134)	(234)	(234)
	3,214	3,214	3,721	3,721

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 San Remo District Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 11 to 41 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 2018 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.

Miranda Sage
Director

Signed at San Remo on 24th September 2019

rsd Audit
41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SAN REMO DISTRICT FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of San Remo District 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 San Remo District 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 Group 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
Liability limited by a scheme approved under Professional Standards Legislation

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.

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
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 24 September 2019

San Remo District **Community Bank**® Branch
103 Marine Parade, San Remo VIC 3925
Phone: 5678 5833 Fax: 5678 5823

Cowes **Community Bank**® Branch
213 Settlement Road, Cowes VIC 3922
Phone: 5952 3383 Fax: 5952 3220

Grantville & District **Community Bank**® Branch
1503 Bass Highway, Grantville VIC 3984
Phone: 5678 8773 Fax: 5678 8992

Franchisee: San Remo District Financial Services Limited
103 Marine Parade, San Remo VIC 3925
Phone: 5956 7658 Fax: 5678 5823
ABN: 20 102 770 150
Email: admin@srdfs.com.au

Share Registry
RSD Registry
PO Box 30
Bendigo VIC 3552
Ph: 03 5445 4222
Fax: 03 5444 4344
shares@rsdregistry.com.au

www.bendigobank.com.au/branch/vic/san-remo-district-community-bank-branch/
(S56052) (501624_v1) (11/09/2019)

This Annual Report has been printed on 100% Recycled Paper

Bendigo Bank
Bigger than a bank.

bendigobank.com.au