

Sarina and District Community Financial Services Limited

ABN 28 112 407 182



2019 Annual Report

Sarina Community Bank Branch

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Chair's report

For year ending 30 June 2019

Reputation and brand

Our company and banking business are founded on valuable community relationships and this relationship continues to grow between the shareholders, Board, Branch Manager, our banking team, our customers and the wider community. We continue to improve and expand our business through maximising these relationships. The Board and branch activities are focussed on connecting with our customers and supporting our community through our community organisations, sporting organisations and our schools. This approach achieves good results for the business, customers, shareholders and the wider community. This approach also enables us to create good brand awareness and reinforce our reputation in the community.

There has been a major focus on the banking industry over the past twelve months through the banking Royal Commission. While the major banks were exposed for what could only be described as dishonest behaviours, the Bendigo and Adelaide Bank Limited have proven to have very good customer relationships and customer well-being was placed ahead of profit making. Over the coming twelve months and beyond we will start to see some of the banking industry reforms highlighted in the Commissioner's report be introduced.

I would like to congratulate our Branch Manager, Charmaine Matsen, who has successfully led the team over the past twelve months. Under Charmaine's leadership the team has continued to focus on improving the business and meeting customer expectations. The benefits of maintaining a consistent team approach has enabled the business to grow over the past 12 months. Charmaine's team has been working hard to deliver the Bendigo and Adelaide Bank Limited's goal of being 'Australia's Bank of Choice' and to grow our customer base to bank 10 percent of the Australian population.

Performance

This year has seen an increase in our overall profit while continuing to contribute record amounts into the Community Enterprise Foundation™. These contributions enable the Board to carry out the Community Engagement Program and reduce our tax liabilities. The team has been able to counteract discharges of loans with the writing of new business. Overall we continue to grow, resulting in business of \$186.1 million compared to \$181.5 million last year. We have seen our revenue increase from \$1.208 million up to \$1.272 million while being able to maintain our costs. This has enabled the company to increase its profit before tax of \$177,487 compared to last year \$151,176.

The Board has been proactive ensuring that we continue to meet the Community Engagement Program objectives: building the capacity of local community organisations, strengthening relationships between the bank, community organisations and providing a range of grants and sponsorship that provide a direct benefit to Sarina and district community. We have invested \$275,065 in charitable donations, projects, sponsorships, advertising and promotions during the past twelve months. Branch Manager Charmaine has continued to grow our student banking program by offering the service to majority of schools in our district.

The Board continues to implement the three-year strategic Plan with good progress being made in the three focus areas which include Customer Connections, Community Engagement and Business Development. The focus areas are being driven by the three sub-committees. Finance and Governance Chaired by Mark Radke, Business Development Chaired by Nicholas McDougall and Community Engagement Chaired by Maree Franettovich. The company held an Extraordinary General Meeting on the 7 March 2019, where a majority vote was passed for the company to de-list from the National Stock Exchange (NSX) and apply to ASIC to operate a Low Volume Market (LVM) as the preferred trading framework for shares for the company. The company was officially delisted from the NSX on the 28 June 2019. I would like to make special mention and thank our Company Secretary, Greg Melvin, for the enormous amount of work he did in investigating and implementing the decision to change to the Low Volume Market.

Chair's report (continued)

Community engagement

The Board has also continued the Scholarship Program with CQUniversity. The scholarship is for a student who is studying a course within the School of Business and Law of the university. During the past 12 months our scholarship holder, Kelly Morton, who was studying Bachelor of Business graduated and Amy Stratford studying a Bachelor of Business moves into her third year. Last year we welcomed Hunter Aitchison, who is studying a Bachelor of Business as our scholarship holder and this year we welcomed our new scholarship holder, Caitlin Neundorf, who is studying a dual degree of Bachelor of Accounting and Bachelor of Business. We expanded our offering at the University by way of the Ambassador Program. Anneka Micallef and Taitianna McGrath were our two recipients for last year and this year they have been joined by Makayla Comelli and Claudine Asuncion. The Ambassador Program aims to promote the Sarina Community Bank Branch to the University, as well as the students participating in community engagement activities. We also introduced a Vocational Education & Training Scholarship this year and apprentice hairdresser, Lauren Head, was awarded this scholarship. We continue to work with the Sarina High School offering a scholarship for a student commencing grade eleven. This scholarship is for a two-year duration. This year's scholarship was awarded to Sophie Christofferson and last year's recipient, Logan Harper, continues to achieve great results. The Board decided to continue the ambassadorships for the High School. These were awarded to Olivia Swindells and Georgia Beveridge. All our awardees have been worthy recipients of the scholarship and ambassador program and it is a great way for the Sarina Community Bank Branch to assist in the development of our young people through educational and networking opportunities.

During the past twelve months we have collaborated with the Mackay Regional Council to deliver the Small Business Week breakfast with 70 business owners and employees in attendance. We have also participated in the Pioneer Valley Show at Finch Hatton, Sarina Show, and Queensland Day event at the Sarina Field of Dreams Parklands. We continue to work with our major sponsorship recipients, Sarina Show Society, Sarina Surf Life Saving Club, Sarina BMX Club, Sarina Bowls Club, Sarina Golf Club and the Sarina District Schools Chaplaincy. We can achieve mutual benefits through these and many other relationships our team has in the community.

These successful events have enabled the banking team to realise new business opportunities. An important component of the Community Bank model is the telling of the success stories in our local community. We encourage all recipients of the Community Engagement Program to help us spread the word regarding the benefits of doing business with the Sarina Community Bank Branch. A series of television and digital advertisements continues to raise the awareness of the Community Bank business.

Our people

The success of the Sarina Community Bank Branch would not be possible without our banking business partner, Bendigo and Adelaide Bank Limited, and the contribution and support of Regional Manager, Steve Myers, Community Business Manager, Geoff Power, Senior Manager Community, Kate Wakeling and State Manager, Gavin Holden. It is through this close working relationship with the Bendigo and Adelaide Bank Limited team that the company can deliver to the shareholders a dividend of 10 cents per share, fully franked, for 2019.

The company could not continue to succeed without the commitment of the Board of Directors who have devoted many volunteer hours to ensure the business continues to grow and service the Sarina and district community well. I continue to represent Central and North Queensland on the Community Bank National Council. This is the conduit between Bendigo and Adelaide Bank Limited Banking Executive and the Community Bank companies. The Community Bank National Council continues to develop and progress the banking model.

I would like to make special mention of our Company Secretary, Greg Melvin, who is retiring due to relocating to Yeppoon. The Board thanks you for your commitment and service and we wish him well.

Chairman's report (continued)

I would like to make special mention and thank our Executive Assistant, Patrice Willoughby, who has proven to be a great asset to the company during the past twelve months. Patrice is an employee of the company and supports the three sub committees, helps administer the grants and sponsorship program, organising our attendance at events, as well as providing secretarial support to the Board and Company Secretary at the monthly Board meetings.

Lastly, I would like to thank my fellow Directors, our Branch Manager and banking team, for supporting me as Director / Chair of the Board over the past 12 months. I look forward to working with the team, our customers, our shareholders and our community to build an even bigger and better business.



Karen May GAICD
Chair

Manager's report

For year ending 30 June 2019

To our shareholders and customers

Sarina Community Bank Branch has achieved profitable growth. As at 30 June 2019 your Sarina Community Bank Branch holds a lending book of \$92.7 million and a deposit book of \$71.2 million. Our total business for the period of 2018/19 is \$186.1 million including other business of Rural Bank, Financial Planning and Financial Markets.

Performance

We settled \$16.4 million lending this year and we had an actual growth target of \$3.6 million with an actual growth of \$1.3 million, giving us a variance of \$2.3 million. This was due to the lending restrictions we had in our local area this financial year. We were also hit enormously with discharges, mainly due to property sales, resulting in loan payouts of \$10.1 million. We still managed to increase our lending book by \$1.3 million.

We achieved 132% of our Consumer/Business Banking Lending and Deposit growth target with an increase in our total business of \$4.5 million; all due to our team's hard work in building new relationships to gain new deposit funds which was a focus from last year's financial results.

Due to the restrictions that are in place on our local area for lending, we have expanded our business operations by appointing a mobile Business Development Manager. Emily Grigg services the wider community to help us build new lending business outside of our local area, which will contribute to the success and overall profits of Sarina Community Bank Branch. Emily has returned to Bendigo Bank after maternity leave and joins our team with many years' experience in this area. As Emily quotes, "It's not always convenient to attend a branch. I can visit you at your business. You don't have to live in Sarina to bank with us, we have customers throughout the region."

Working in partnership with the local CQUniversity campus, this financial year we introduced the CQUniversity Vocational Education & Training Scholarship to cater for apprentices and we continue with our CQUniversity and Sarina State High School Scholarships and Ambassadorships. Education and working together is a huge part in our expansion. Student banking with our local primary schools is also ongoing and we have introduced the Year 6 Citizenship Award to further the journey and help educate our youth through our Financial Literacy Programs. Our youth are our future.

In conjunction with Mackay Regional Council we once again hosted the Small Business Week breakfast held at our local RSL Club. This was well represented by the small business community with around 70 local business coming together. Mayor Greg Williamson attended the breakfast and gave us a very informative update on our region. We also had the pleasure of hearing from the Mackay Regional Council and we were given the opportunity to address our local business owners and share our new campaigns and offers.

Bendigo Bank has a full suite of banking products to offer our customers. We pride ourselves on being very competitive in today's market and providing customers with a greater choice to suit their individual needs. This shows by our customer numbers increasing by 2.7% for the year.

Manager's report (continued)

Staff

Please meet our dedicated, passionate and friendly team at our branch whose focus is about putting people first and a seamless customer experience:

Charmaine Matsen	Branch Manager
Emily Grigg	Business Development Manager
Roanna Bella	Customer Relationship Manager
Melissa Neilsen	Customer Relationship Officer
Kylie Schulze	Customer Service Officer
Josephine Dahtler	Customer Service Officer
Kelly Tennyson	Customer Service Officer

We are very fortunate at Sarina Community Bank Branch to have a very experienced team that make you feel that you are the most important.

Appreciation

I would like to show my appreciation and sincere thanks to the Board. Their dedication and phenomenal amount of volunteer hours contributed to ensure our Community Bank branch sustained profitability and a strong community presence.

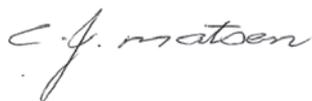
I would also like to extend my appreciation and deep gratitude to Patrice Willoughby, Executive Assistant to the Board. Without the tireless support given by Patrice, my role would not have been manageable, and this has been proven in the successful community events we have held.

This year, our community investments were made possible by our shareholders and customers. Thank you for sharing your stories and your continued support with Sarina Community Bank Branch. Without you this is not possible. The team and I continue to work very hard to make this unique business successful and we have extreme passion and dedication towards making our customers' banking experience exceptional and with a sense of belonging.

Our success thrives on our local community and support that we receive through our customers banking with us. We are proud to hold a very trusted brand name Bendigo and Adelaide Bank Limited with our vision 'Australia's Bank of choice'. We are the Better Big Bank.

Our Purpose is 'to feed into the prosperity of our customers and communities – not off it'.

My personal thank you to everyone who has been directly involved in the success of our Sarina Community Bank Branch. I sincerely appreciate your support and advocacy, which has resulted in such rewarding outcomes.



Charmaine Matsen
Branch Manager

Community Engagement Program

Sarina and District Community Financial Services Limited (S&DCFSL) operates Sarina Community Bank Branch and is proud to invest in our community through the Community Engagement Program. Our overarching aim of this community investment is to influence positive change in the community.

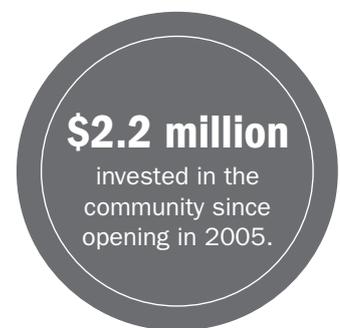
Objectives

The objectives of the Community Engagement Program are to:

- Enhance visibility of the benefits of Sarina's own Community Bank branch
- Develop an ongoing mutually beneficial relationship between community and Sarina Community Bank Branch
- Build community capacity and enhance our community as a great place to live.

Sarina Community Bank Branch, through its Community Engagement Program, proudly invests in our community through sponsorships, community grants and major community initiatives.

Since opening Sarina Community Bank Branch in 2005, S&DCFSL has invested over \$2.2 million directly in the community. This only is possible thanks to the customers of Sarina Community Bank Branch. Growing the customer base allows this unique banking model to thrive and prosper thereby allowing us to continue to invest in the local community into the future through Sponsorships, Community Grants, and Donations. We encourage a diverse range of organisations to apply to the Community Engagement Program. In addition, we support Scholarships and the Student Ambassador Program.



A successful banking business that is commercially viable, yet community spirited, underpins this community investment.

Sponsorship

Sponsorship is a business relationship whereby the parties receive a mutual benefit. When Sarina Community Bank Branch provides sponsorship investment to an organisation, these activities provide a benefit to the community. The sponsorship should provide exposure and opportunities for Sarina Community Bank Branch to expand its customer base, which underpins our sustainability and allows us to continue to invest a percentage of profits back into the community. This is how we are different from other banks.

Marquee Program

This is a dedicated sponsorship initiative of Sarina Community Bank Branch to support organisations in their activities by investing in a marquee (3m x 3m) with the respective logos. We appreciate the importance of being sun smart so that we can enjoy the great outdoors and this will enable organisations to have a highly visible presence at events and afford some protection.

Community Engagement Program (continued)

Community Grants

A community grant is about building capacity that addresses local needs and makes a positive contribution to the Sarina and district community. When Sarina Community Bank Branch provides a community grant investment to an organisation, the focus is on the positive benefit to the broader community. Community grant applications are encouraged that develop the capacity of the organisation to meet the needs of local residents, or to develop innovative programs that address local issues. Our community grants investment is facilitated by funds we place in the Community Enterprise Foundation™.

Donations

Donations are distinct from sponsorship and grants. A donation is focussed on charitable purposes and only made to organisations that hold the status of Deduction Gift Recipient (DGR) approved by the Australian Taxation Office.

Scholarships

Sarina Community Bank Branch Bendigo Bank CQUniversity Higher Education Scholarship

The Scholarship aims to encourage the local community to study, live and work locally, by providing financial support, \$6,000 paid over three years, to attend the local Mackay campus of CQUniversity. This Scholarship supports students within the Sarina/Mackay district studying Business and business related degree programs under the School of Business and Law. Students of the Bachelor of Professional Communication, Bachelor of Digital Media or Bachelor of Information Technology also are eligible to apply. Applications usually open in November and close 31 March the following year.

Sarina Community Bank Branch Bendigo Bank Vocational Education Training Scholarship

The Scholarship aims to encourage the local community to study, live and work locally, by providing financial support and encouragement to take up a vocation and attend the local Mackay campus of CQUniversity. The Scholarship supports students within the Sarina / Mackay district undertaking Apprenticeship training through CQUniversity. Students taking up an Apprenticeship in Electrical, Mechanical, Building, Automotive Engineering and Technology, Manufacturing Engineering and Technology, and Hairdressing are eligible to apply.

Senior Schooling Community Citizenship – Sarina State High School

The Scholarship supports students attending Sarina State High School. The total Scholarship value is \$2,000 paid over two years. The student must be intending to complete Grades 11 and 12 (consecutively) at Sarina State High School and aims to encourage students in the Sarina community to pursue higher studies and understand the importance of community citizenship.

Student Ambassador Program

The Student Ambassador Program was launched in 2017 for CQUni Higher Education Students studying at CQUniversity Mackay and the value is \$1,500 each student, paid over three years. In addition the program supports senior students (Grade 11 and 12) of Sarina State High to the value of \$500 each across the two years.

Community Engagement Program (continued)

Community Investment 2018/19

The tables below set out the major Community Engagement investment actually disbursed in the 2018/19 financial year (rounded to the nearest dollar).

Community Grants		
Organisation	Project	\$
Sarina Kennel Club Inc.	Amenities Block/ Storage area	50,000
Sarina Rural Skills Centre	Aquaponics and Hydroponics Facilities	44,080
St Anne's Catholic Primary School P&F Association	Shade for outdoor playground	40,000
Sarina & District BMX Club Inc.	Amenities Block connections	24,354
Sarina Poultry Society Inc.	Chookhouse Kitchen	12,000
Swayneville State School P&C Association	Multi-purpose outdoor covered learning area	10,000
Sarina Rural Skills Centre	Kitchen Plumbing	8,250
Homebush State School P&C Association	Look Load Learn – new library storage	7,537
St Luke's Anglican Church	Restumping St Luke's Hall	5,950
Run for MI Life Limited	Suicide Prevention Education – Sarina & Mackay	5,000
Sarina Saints Football Club Inc.	Seating and PA system	3,924
QCWA Sarina Branch	Embracing technology – computer resources	3,218
Sarina Western Performance & Equestrian Club	Let us be Heard – new PA system	3,173
Sarina Surf Life Saving Club Inc.	Tools for Trainers	2,894

Note: An amount of \$135,000 (incl GST) was transferred to the Community Enterprise Foundation™ in 2018/19 for community grant payments and to provide for future community initiatives. In addition an amount of \$15,000 was transferred to provide specifically for local Scholarship initiatives.

Sponsorship Program		
Organisation	Project	\$
Sarina Surf Life Saving Club Inc.	Sarina Beach Fun Run 2019 Naming Rights	9,090
Sarina Cricket Association	Partnering Sponsorship 2018 – 2019	5,000
Sarina Bowls Club Inc.	Partnering Sponsorship 2018 – 2019	4,545
Sarina Saints Football Club Inc.	Partnering Sponsorship 2018 – 2019	3,000
Sarina & District Athletics Club Inc	Sponsorship of Club Uniforms	2,916
Sarina Beach Progress Association Inc.	Sarina Beach Coconut Festival 2018	2,727
Koumala Progress Association Inc.	Koumala Community Christmas Fair 2018	2,727
Sarina Golf Club Inc.	Partnering Sponsorship 2018 – 2019	2,272
St Anne's Catholic Primary School P&F Association	St Anne's Community Garden Party	2,000
Mackay Festival of Arts	Loose Ends performances – Sarina & Pinnacle 2019	1,636
Sarina International Women's Day Event	Sarina International Women's Day Dinner 2019	909
Sarina Poultry Society Inc.	Partnering Sponsorship 2018 – 2019	909
Chelona Primary School P&C Association	Chelona Primary School Cocktails in the Country	909
Blue Mountain Cattle Dog Trial	Event sponsorship	556

Community Engagement Program (continued)

Marquee Sponsorship Program 2018/19	
Organisation	Organisation
Bakers Creek AFL Football Club	Gargett State School P&C Association
Homebush State School P&C Association	Mackay & District Mountain Bike Club Inc
QCWA – Sarina Branch	Queensland Netball Association Whitsunday Branch
Sarina & District BMX Club	Sarina Arts Council
Sarina District Schools Chaplaincy Committee	Sarina Fibre Arts Group Inc
Sarina Junior Rugby League	Sarina Landcare Catchment Management Association
Sarina Poultry Society Inc.	Sarina Rural Skills Centre
Sarina Saints Football Club Inc.	Sarina Show Society Inc.
Sarina Surf Lifesaving Club Inc.	Sarina Tourist Art & Craft Co-Op Ltd
Sarina Western Performance & Equestrian Club Inc.	St Anne's Catholic Primary School P&F Association
Total \$25,654	

Scholarship Program		
Program	Project Title	\$
CQUniversity Scholarship	Higher Education Student Scholarship 2019 – 2021	6,000
CQUniversity Scholarship	Vocational Student Scholarship 2019 – 2022	4,000
CQUniversity Student Ambassador Program	Student Ambassador Program 2018 – 2019	3,000
Sarina State High School Scholarship	Student Scholarship 2019 – 2020	2,000
Sarina State High School Scholarship	Student Scholarship 2018 – 2019	1,000
Sarina State High School Student Ambassador Program	Student Ambassador Program 2019 – 2020	500

Note: The amounts reflect the total value of the awards, which are paid over the respective periods.

Donations	
Organisation	\$
QCWA Public Rural Crisis Fund	1,000
Mackay Community Visitors Association	1,000
Mackay Regional SES Unit	1,000
Mackay Women's Centre Sarina Outreach	1,000
Sarina State High School (Learning Centre)	1,000
Queensland Flood Appeal	1,000
E-Raced	550
Hay Point Rural Fire Brigade	500
Koumala Rural Fire Brigade	500
The Plane Creek Rural Fire Brigade	500
Grasstree Rural Fire Brigade	500
Armstrong's Beach Rural Fire Brigade	500
Cliftonville Rural Fire Brigade	500
Sarina Range Rural Fire Brigade	500
Sarina Range Community Association	250
Special Children's Christmas Party	227

Note: operational expenses associated with the Community Engagement Program, including marketing, advertising, and printing, are not listed here.

Directors' report

For the financial year ended 30 June 2019

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Karen Lesley May

Chair

Occupation: Councillor

Qualifications, experience and expertise: Karen is a graduate of the Australian Institute of Company Directors. She holds a Certificate III in Frontline Management and a Certificate in Community Development, and has 15 years local government experience, during which time she has held position of Councillor, Deputy Mayor and Mayor of Sarina Shire Council. Current Councillor at Mackay Regional Council. Karen has been a small business owner and operator for the past 20 years having owned the Sarina Motor Inn and Hideaway Restaurant for five and half years, the Sarina Eagle Boys Pizza for 10 years and the Sarina Laundromat and vending business for the past 12 years. She managed the Sarina RSL Club from 1/1/15 until 24/12/16 and has been a Director/Chair of Mackay Regional Housing Company Ltd and Connect Housing Ltd for the past 10 years, whose goal is to manage and deliver affordable housing. Karen is currently also Vice Chair of Sarina Landcare Catchment Management Association and President of Regional Social Development Coalition. In 2017 Karen was elected as the North Queensland Representative of the newly formed Community Bank National Council. She is committed to the development of the Community Bank model and embrace the opportunity to work with the network of Community Bank Directors and the staff of Bendigo and Adelaide Bank.

Special responsibilities: Business Development, Community Engagement, Finance & Governance Committees

Interest in shares: 1,000

Maree Gail Franettovich

Director

Occupation: Lecturer, School of Business & Law CQUniversity Mackay; Director, Business Services Network Pty Ltd

Qualifications, experience and expertise: Maree holds a Bachelor of Business (Management and Human Resources), a Graduate Diploma of Management, and is an Accredited Workplace Trainer. Maree is a Lecturer in business management, human resources and marketing at CQUniversity. She is also a Director of Business Services Network Pty Ltd, a boutique consultancy dedicated to tailored integrated strategic business solutions with a key focus on the right people management, developing managers and implementing specialised business frameworks. Maree is a passionate regional advocate, and an energetic and enthusiastic educator and coach. In 2017, Maree received a Vice-Chancellor's Award for outstanding contributions to learning and teaching. Maree is the co-founder of the Engage Mentor Program at CQUniversity Mackay. She has a strong business background and brings this professional acumen and expertise to her community leadership roles as well as her CQUniversity academic role. Throughout her career Maree has worked in a diverse range of industries in Australia and overseas. She is a member of the Australian Institute of Company Directors, Australian Institute of Managers and Leaders, and the Queensland Rural, Regional and Remote Women's Network. Maree is an active supporter of fundraising initiatives, particularly those in aid of cancer solutions.

Special responsibilities: Deputy Chair, Chair - Community Engagement Committee

Interest in shares: 7,450

Directors' report (continued)

Directors (continued)

George Edward (Ted) Malone

Director

Occupation: Retired MP

Qualifications, experience and expertise: Retired Member of the Queensland Parliament (1994-2015); Assistant Minister for Emergency Services Volunteer with special responsibility for a review of the Queensland Rural Fire Service and Volunteers. Shadow Ministries included Emergency Services, Local Government, Public Works, Employment and Training. Previously a contractor, cane farmer, grazier, and property developer. Delegate to sugar industry conferences for 24 years; served five years on the Board of a growers' organisation with three years as Chairman until April 1994. Member of the Sugar Industry Policy Council and the Sugar Research and Development Corporation Selection Committee and discussions leading up to the division of sugar monies. Life Member of Apex Club of Sarina; member of Lions Club of Sarina; Patron of the Ted Malone MP Rural Skills Centre Sarina; Patron and Committee member of the Rural Skills Centre.

Special responsibilities: Business Development Committee Member

Interest in shares: 16,000

Gregory Craig Melvin

Company Secretary

Occupation: Retired

Qualifications, experience and expertise: Greg retired from the financial planning industry in December 2008. His role in that industry saw him working in specialist positions for a major corporate before establishing a financial planning practice focusing on wealth accumulation and retirement strategies. He was heavily involved in self-regulation and governance issues as the industry underwent an evolutionary process. Greg holds an Advanced Diploma of Financial Planning and was a member of the Financial Planning Association of Australia (FPA). He was also an active member of their Central Queensland chapter, acting as Chairperson over a five year period. Previous to that career, he spent four years in general banking and 15 years in the international travel industry.

Special responsibilities: Finance & Governance Committee Member

Interest in shares: 7,000

Nicholas Paul McDougall

Director

Occupation: French Polisher

Qualifications, experience and expertise: Nicholas is currently studying a Bachelor Degree in Heritage, Museums and Conservations at the University of Canberra. He had recently returned from the UK after being accepted for a place on the Open Palace Programme 2018 where he had the opportunity to work alongside industry professionals at the Roman Baths and the Royal Collection at Windsor Castle. Nicholas is the youngest volunteer of the four Mackay Regional Museums and has served as Vice President of the Friends of Greenmount group for the past 3 years. Professionally, Nicholas is a French Polisher and Furniture Restorer, he opened McDougall Furniture Restoration in 2018 servicing Sarina and surrounding districts, but still finds time to assist with his family's business, cattle and sugar interest. Nicholas has represented Sarina Community Bank Branch on the Next Gen Youth Forum at the 2018 State Bendigo Bank conference in Cairns.

Special responsibilities: Chair - Business Development Committee

Interest in shares: 3,400

Directors' report (continued)

Directors (continued)

Mark Robert Radke

Director (Appointed 2 November 2018)

Occupation: Accountant

Qualifications, experience and expertise: Mark grew up in the Mackay area and is a qualified CPA Accountant, working in practices most of his professional life. Mark started his own practice in 2015 specialising in primary producers. He is a board member of Pioneer Catchments, Landcare and has previously served on various school boards.

Special responsibilities: Chair - Finance & Governance Committee

Interest in shares: Nil

Jeffrey William Burt

Director (Resigned 9 November 2018)

Occupation: Company Director

Qualifications, experience and expertise: Self employed business manager with Burt's Machinery Services Pty Ltd, which hires drilling rigs and other machinery to an operator in the coal seam gas industry. Previously Jeff and his wife have been owner/operators of a small business in Brisbane and agricultural enterprises at Merriwa in NSW, Wowan and Dimbulah in Queensland. Previous employment was as a marine engineer and technical manager for a large international dredging company in PNG.

Special responsibilities: Finance & Governance Committee

Interest in shares: 29,550

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

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

Company Secretary

The company secretary is Gregory Melvin. Gregory was appointed to the position of secretary in November 2018 when previous secretary Jeffrey Burt resigned on 9 November 2018.

Greg retired from the financial planning industry in December 2008.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2019	Year ended 30 June 2018
\$	\$
128,678	109,251

Dividends

	Year ended 30 June 2019	
	Cents	\$
Dividends paid in the year	9	64,810

Directors' report (continued)

Significant changes in the state of affairs

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

Events since the end of the financial year

The company held an Extraordinary General Meeting on the 7 March 2019, where a majority vote was passed for the company to de-list from the National Stock Exchange (NSX) and apply to ASIC to operate a Low Volume Market (LVM) as the preferred trading framework for shares for the company. The company was officially delisted from the NSX on the 28 June 2019.

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Business Development		Community Engagement		Finance & Governance	
	E	A	E	A	E	A	E	A
Karen Lesley May	11	11	6	6	12	12	10	10
Maree Gail Franettovich	11	11	-	-	12	12	-	-
George Edward Malone	11	9	6	5	-	-	-	-
Gregory Craig Melvin	11	9	-	-	-	-	10	9
Nicholas Paul McDougall	11	10	6	6	-	-	-	-
Mark Robert Radke *	8	6	-	-	-	-	4	3
Jeffrey William Burt **	4	4	-	-	-	-	4	4

E eligible to attend
A number attended
* (Appointed 2 November 2018)
** (Resigned 9 November 2018)

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

Signed in accordance with a resolution of the board of directors at Sarina, Queensland on 23 August 2019.



Karen Lesley May,
Chair

Auditor's independence declaration



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Sarina and District Community Financial Services Limited

As lead auditor for the audit of Sarina and District Community Financial Services Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 23 August 2019

Joshua Griffin
Lead Auditor

Financial statements

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

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	1,272,053	1,208,135
Employee benefits expense		(528,143)	(467,123)
Charitable donations, sponsorship, advertising and promotion		(275,065)	(320,588)
Occupancy and associated costs		(71,485)	(76,645)
Systems costs		(21,072)	(20,921)
Depreciation and amortisation expense	5	(44,339)	(38,707)
Finance costs	5	-	(354)
General administration expenses		(154,462)	(132,621)
Profit before income tax expense		177,487	151,176
Income tax expense	6	(48,809)	(41,925)
Profit after income tax expense		128,678	109,251
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		128,678	109,251
Earnings per share		¢	¢
Basic earnings per share	20	17.87	15.17

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	651,396	571,715
Trade and other receivables	8	65,201	78,831
Current tax asset	11	3,606	-
Total current assets		720,203	650,546
Non-current assets			
Property, plant and equipment	9	211,328	207,232
Intangible assets	10	12,255	26,205
Total non-current assets		223,583	233,437
Total assets		943,786	883,983
LIABILITIES			
Current liabilities			
Current tax liabilities	11	-	12,349
Trade and other payables	12	34,941	34,185
Total current liabilities		34,941	46,534
Non-current liabilities			
Deferred tax liabilities	11	13,204	5,676
Total non-current liabilities		13,204	5,676
Total liabilities		48,145	52,210
Net assets		895,641	831,773
EQUITY			
Issued capital	13	688,018	688,018
Retained earnings	14	207,623	143,755
Total equity		895,641	831,773

The accompanying notes form part of these financial statements.

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 2017		688,018	99,314	787,332
Total comprehensive income for the year		-	109,251	109,251
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(64,810)	(64,810)
Balance at 30 June 2018		688,018	143,755	831,773
Balance at 1 July 2018		688,018	143,755	831,773
Total comprehensive income for the year		-	128,678	128,678
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	19	-	(64,810)	(64,810)
Balance at 30 June 2019		688,018	207,623	895,641

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		1,396,947	1,313,435
Payments to suppliers and employees		(1,169,042)	(1,145,992)
Interest received		8,306	5,908
Interest paid		-	(354)
Income taxes paid		(57,235)	(8,605)
Net cash provided by operating activities	15	178,976	164,392
Cash flows from investing activities			
Payments for property, plant and equipment		(34,485)	(28,352)
Net cash used in investing activities		(34,485)	(28,352)
Cash flows from financing activities			
Repayment of borrowings		-	(13,263)
Dividends paid	19	(64,810)	(64,810)
Net cash used in financing activities		(64,810)	(78,073)
Net increase in cash held		79,681	57,967
Cash and cash equivalents at the beginning of the financial year		571,715	513,748
Cash and cash equivalents at the end of the financial year	7(a)	651,396	571,715

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 Leases and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branch. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$226,297.

Economic dependency - Bendigo and Adelaide Bank Limited

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

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the Community Bank branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

- the design, layout and fit out of the Community Bank branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

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

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

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

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

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment (continued)

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	1,037,287	962,484
- services commissions	127,569	138,401
- fee income	88,071	87,485
- market development fund	10,000	10,000
Total revenue from operating activities	1,262,927	1,198,370
Non-operating activities:		
- interest received	9,126	5,908
- other revenue	-	3,857
Total revenue from non-operating activities	9,126	9,765
Total revenues from ordinary activities	1,272,053	1,208,135

Note 5. Expenses

Depreciation of non-current assets:

- leasehold improvements	15,633	15,822
- plant and equipment	2,199	3,028
- motor vehicle	12,557	5,907

Amortisation of non-current assets:

- franchise agreement	2,325	2,325
- franchise renewal fee	11,625	11,625
	44,339	38,707

Finance costs:

- interest paid	-	354
Bad debts	1,145	4,668

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	41,281	42,349
- Movement in deferred tax	7,528	(424)
	48,809	41,925

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 6. Income tax expense (continued)		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	177,487	151,176
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	48,809	41,573
Add tax effect of:		
- non-deductible expenses	-	352
- timing difference expenses	(7,528)	424
	41,281	42,349
Movement in deferred tax	7,528	(424)
	48,809	41,925

Note 7. Cash and cash equivalents

Cash at bank and on hand	393,524	376,263
Term deposits	257,872	195,452
	651,396	571,715

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	393,524	376,263
Term deposits	257,872	195,452
	651,396	571,715

Note 8. Trade and other receivables

Trade receivables	57,333	64,960
Prepayments	7,048	13,871
Other receivables and accruals	820	-
	65,201	78,831

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	274,226	272,731
Less accumulated depreciation	(128,846)	(113,213)
	145,380	159,518

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
At cost	62,775	61,150
Less accumulated depreciation	(52,083)	(49,884)
	10,692	11,266
Motor vehicles		
At cost	88,398	57,033
Less accumulated depreciation	(33,142)	(20,585)
	55,256	36,448
Total written down amount	211,328	207,232
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	159,518	175,340
Additions	1,495	-
Disposals	-	-
Less: depreciation expense	(15,633)	(15,822)
Carrying amount at end	145,380	159,518
Plant and equipment		
Carrying amount at beginning	11,266	14,294
Additions	1,625	-
Disposals	-	-
Less: depreciation expense	(2,199)	(3,028)
Carrying amount at end	10,692	11,266
Motor vehicles		
Carrying amount at beginning	36,448	14,003
Additions	31,365	28,352
Disposals	-	-
Less: depreciation expense	(12,557)	(5,907)
Carrying amount at end	55,256	36,448
Total written down amount	211,328	207,232

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 10. Intangible assets		
Franchise fee		
At cost	82,968	82,968
Less: accumulated amortisation	(80,925)	(78,600)
	2,043	4,368
Renewal processing fee		
At cost	114,839	114,839
Less: accumulated amortisation	(104,627)	(93,002)
	10,212	21,837
Total written down amount	12,255	26,205

Note 11. Tax

Current:

Income tax payable/(refundable)	(3,606)	12,349
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Non-Current:

Deferred tax assets		
- accruals	798	1,100
- employee provisions	326	-
	1,124	1,100

Deferred tax liability		
- accruals	226	-
- property, plant and equipment	14,102	6,776
	14,328	6,776

Net deferred tax liability	(13,204)	(5,676)
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Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	7,528	(423)
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Note 12. Trade and other payables

Current:

Trade creditors	27,499	23,961
Other creditors and accruals	7,442	10,224
	34,941	34,185

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 13. Issued capital		
720,109 ordinary shares fully paid (2018: 720,109)	720,109	720,109
Less: equity raising expenses	(32,091)	(32,091)
	688,018	688,018

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

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

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

Notes to the financial statements (continued)

Note 13. Issued capital (continued)

Prohibited shareholding interest (continued)

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

	2019 \$	2018 \$
Note 14. Retained earnings		
Balance at the beginning of the financial year	143,755	99,314
Net profit from ordinary activities after income tax	128,678	109,251
Dividends provided for or paid	(64,810)	(64,810)
Balance at the end of the financial year	207,623	143,755

Note 15. Statement of cash flows

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

Profit from ordinary activities after income tax	128,678	109,251
Non cash items:		
- depreciation	30,389	24,757
- amortisation	13,950	13,950
Changes in assets and liabilities:		
- (increase)/decrease in receivables	13,630	(12,609)
- (increase)/decrease in other assets	(3,606)	13,894
- increase/(decrease) in payables	755	3,223
- increase/(decrease) in current tax liabilities	(4,820)	11,926
Net cash flows provided by operating activities	178,976	164,392

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 16. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	32,238	37,582
- between 12 months and 5 years	-	31,318
- greater than 5 years	-	-
	32,238	68,900

The property lease is a non-cancellable lease with a five-year term which ends 10 April 2020, with one five year option of renewal. Rent is payable monthly and in advance.

Note 17. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	5,700	5,600
- non audit services	3,365	3,295
- share registry services	2,175	-
	11,240	8,895

Note 18. Director and related party disclosures

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

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

Directors' shareholdings	2019	2018
Karen Lesley May	1,000	1,000
Maree Gail Franettovich	7,450	7,350
George Edward Malone	16,000	11,000
Gregory Craig Melvin	7,000	7,000
Nicholas Paul McDougall	3,400	3,000
Mark Robert Radke (Appointed 2 November 2018)	-	-
Jeffrey William Burt (Resigned 9 November 2018)	29,550	27,550

Notes to the financial statements (continued)

	2019 \$	2018 \$
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Note 19. Dividends provided for or paid

a. Dividends paid during the year

Current year dividend		
100% (2018: 100%) franked dividend - 9 cents (2018: 9 cents) per share	64,810	64,810

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

b. Dividends proposed and not recognised as a liability

Current year final dividend		
100% (2018: 100%) franked dividend - 10 cents (2018: 9 cents) per share	72,011	64,810

Dividends proposed will be franked at a rate of 27.5%.

c. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	181,193	152,262
- franking credits that will arise from payment of income tax as at the end of the financial year	7,616	19,849
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	188,809	172,111
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	(24,583)
Net franking credits available	188,809	147,528

Note 20. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	128,678	109,251
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	720,109	720,109

Notes to the financial statements (continued)

Note 21. Events occurring after the reporting date

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

Note 22. Contingent liabilities and contingent assets

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

Note 23. Community Enterprise Foundation™

During the period the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2019 is as follows:

	2019 \$	2018 \$
Opening balance	493,400	424,700
Contributions	168,807	200,000
Grants paid	(264,955)	(130,890)
Interest	9,300	8,680
Management fees	(6,818)	(9,090)
Balance available for distribution	399,734	493,400

Note 24. Segment reporting

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

Note 25. Registered office/Principal place of business

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

Registered Office

37 Broad Street
Sarina QLD 4737

Principal Place of Business

37 Broad Street
Sarina QLD 4737

Notes to the financial statements (continued)

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 %	2018 %
Financial assets												
Cash and cash equivalents	393,524	376,263	257,872	195,452	-	-	-	-	-	-	1.51	0.95
Receivables	-	-	-	-	-	-	-	-	57,333	64,960	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	27,499	23,961	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

Sensitivity Analysis (continued)

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

	2019 \$	2018 \$
Change in profit/(loss)		
Increase in interest rate by 1%	6,514	5,717
Decrease in interest rate by 1%	(6,514)	(5,717)
Change in equity		
Increase in interest rate by 1%	6,514	5,717
Decrease in interest rate by 1%	(6,514)	(5,717)

Directors' declaration

In accordance with a resolution of the directors of Sarina and District Community Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Karen Lesley May,
Chair

Signed on the 23rd of August 2019.

Independent audit report



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afs Bendigo.com.au

Independent auditor's report to the members of Sarina and District Community Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Sarina and District Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards.

What we have audited

Sarina and District Community Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 23 August 2019



Joshua Griffin
Lead Auditor

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37 Broad Street, Sarina QLD 4737
Phone: (07) 4943 2634 Fax: (07) 4943 2637
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(BNPAR19012) (09/19)

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