Strathmore Community Services Limited

ABN 84 096 122 459

2019 Annual Report

Strathmore **Community Bank** Branch

Contents

Chairman's report

For year ending 30 June 2019

It is with pride that I bring you the Chairman's report for the year ending 30 June 2019. It's been a tough couple of years for banking, the Royal Commission has put the industry under a spotlight and the current banking environment has created a very competitive market. Despite this, Strathmore **Community Bank** Branch has continued to experience exceptional growth in business thanks to our customers, shareholders and our dedicated staff both at our branch and at our corporate office.

Earlier this year you might be aware that we purchased the building next door to the branch at 341 Napier Street. We are slowly outgrowing the branch and when the opportunity presented itself to purchase the building next door, we took action. The new building along with the existing building at 337 Napier Street will house not only the branch, but also our corporate office bringing everyone together in the one building. We will be doing some refurbishments to the new building and also knocking down some walls to co-join the two buildings before we are able to utilise the new space. Our plan is to hopefully have the works finished within the next 12 months. So, congratulations to the shareholders once again for being property owners of another prominent real estate in Napier Street.

At the end of June 2019, we have invested back into our community just over 10 million dollars. In the 2018/19 financial year, $682,591 was invested back into the community as grants, sponsorships and donations. Our main driver with sponsorships is to endeavor to ensure that there is a financial return flowing back into the company from these contributions wherever possible.

It is really rewarding to see our signs at local sporting clubs and organisations attesting to the fact that Strathmore **Community Bank** Branch has provided the necessary funding to assist them and the community to grow.

Last year, the dividend we paid was 15 cents per share fully franked which was an excellent outcome for our shareholders. We still have a few shareholders who do not bank with us. To change to Strathmore **Community Bank** Branch from your other bank, simply see our Branch Manager David Porter and his friendly team. Also, in relation to shareholdings, our Share Registry, RSD Advisors, offer a 'cloud based' system for you to view and maintain your shareholdings online so please visit www.registrydirect.com.au. We encourage you to log-on and create an account for your shareholdings where you can update your details, change your address and add or update your bank accounts details to receive your dividend payments via EFT instead of by cheque. The advantage of receiving payments via EFT means that you will receive your dividend payment on the payment date as 'clear funds' rather than having to go to the branch to deposit your cheque and wait for the funds to clear. Alternatively, you can complete the relevant form which you can obtain from us. Please be assured that we are still here to help with any queries or updates you may have.

David Porter and his team continue to work tirelessly to offer exceptional service at the branch. Our staff are our greatest asset being dedicated, professional and well trained in the business of banking. This financial year we have welcomed a new member to our team Jodie Exintaris who is one of our Customer Relationship Managers. Jodie joined us from another branch of Bendigo Bank and has been with the bank since 2012 so she has many years' experience in banking.

Aaron Hawkins, our Business Development Manager continues to focus on pursing additional business in all areas of banking. Since joining us the results have exceeded the Boards' expectations, so I encourage you to call Aaron for any assistance with your business banking needs.

Chairman's report (continued)

Earlier this year, our new website went live at www.strathmore3041.com.au. We have automated our sponsoring process, so all applications are now completed online via our website. We also encourage you and your friends to 'like' our Strathmore **Community Bank** Branch Facebook page so that we can spread the word in order to attract new customers to the branch who use social media.

I wish to thank my fellow Board members for their contribution to the voluntary work of the Board and for their support, dedication and time spent in ensuring that the business operates both efficiently and profitably. They have attended many community functions where we continue to tell our remarkable story.

Finally, it is the ongoing support of our shareholders, customers, the committed staff and Board that allows Strathmore **Community Bank** Branch to continue to be one of the best in the **Community Bank** network. I thank you all for your contribution!

Peter J. Brown JP

Peter J Brown, JP
Chairman

Manager's report

For year ending 30 June 2019

Following is my third Annual Report for Strathmore **Community Bank** Branch and I thank you for the opportunity to update you on the performance of the branch for the year ending 30 June 2019.

The financial year ending 30 June 2019 saw the release of the findings from the Financial Services Royal Commission and already we have seen a few changes implemented as a result.

The last year saw the first movement in the official interest rates since August 2016 with a 0.25% reduction in June 2019. Further rate reductions are forecast for the new financial year and whilst this helps our borrowing customers it greatly impacts our deposit customers with lower returns. The movement in rates has also seen the competition for business escalate with very competitive lending rates being offered by all institutions.

The branch was able to achieve solid growth of $6.6 million to have total business under management of $344.76 million. With the lower interest rates, customers are paying down their debt faster and they are also withdrawing funds to invest in other income producing products and this has impacted the growth of the branch.

There has been an emphasis on the branch staff to become more active in the community and I hope that you have seen them out and about at various community partner events. The branch lost a long-term staff member, Malcolm Turvey and we wish him well for the future. We also lost Amber Davey who, whilst not a long serving staff member, she was a popular part of our team. On the plus side we have welcomed Jodie Exintaris to the team and we currently have a vacant position.

On behalf of the branch team we would like to thank the Board of Directors for their support, time and efforts in helping us make the Strathmore **Community Bank** Branch one of the most successful **Community Bank** branches in the country.

We would like to thank our shareholders for their support and contribution to the local community.

David Porter
Branch Manager

Secretary's report

For year ending 30 June 2019

As our Chairman has mentioned in his report, Strathmore **Community Bank** Branch has been able to continue to grow in strength during these times of economic uncertainty.

The Board has agreed to the payment of a $0.10 cents fully franked dividend, which all shareholders should receive prior to Christmas this year.

This will bring the total dividends paid to shareholders to date to $851,501. Additionally, the amount given back to our community now stands at $10.191 million.

The **Community Bank** network continues to grow as the other banks desert both country and city areas. There are now 75,851 **Community Bank** shareholders Australia-wide. **Community Bank** branches have given back to their communities over $205 million which is an exceptional figure. This has enabled communities throughout Australia to empower their local areas. Strathmore **Community Bank** Branch continues to expand with the support of our community.

Please note, it is the responsibility of shareholders to notify the Secretary via our corporate office of any changes relating to their shareholding. This includes change of address, banking details or change of shareholder.

In this year's Annual Report, we have provided details relating to the Low Volume Market (LVM). The LVM provides details of share sales and of potential purchasers. The company is an unlisted public company; it is not listed on the stock exchange. Shareholders can avail themselves of all relevant information in the Trading Shares (LVM) area of www.bendigobank.com.au/strathmore

Enclosed is a Proxy Form. We ask if this could be filled out and returned if you are not attending the Annual General Meeting of the company.

I sincerely thank our dedicated staff for their commitment to service and assistance in growing the business.

The duties of the Company Secretary are to provide appropriate guidance pertaining to employment, workplace health and safety requirements, superannuation and insurance, accounting standards, maintenance of share/options register and dividend payments.

Peter D McKie
Director/Company Secretary

Directors' report

For the financial year ended 30 June 2019

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

Directors

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

Brown - Peter, JP	(Appointed 18 October 2005)
Experience and expertise	Newsagent with experience in management and law. Former Vice President of the Australian Federal Police Association.
Special responsibilities	Chairperson
Clements - Glenn	(Appointed 11 March 2014)
Experience and expertise	Manager with 30 years experience in sales, marketing, importing, promotions and Staff management.
Special responsibilities	Nil
Garafillis - Michael	(Appointed 13 May 2009)
Experience and expertise	Sales & Marketing Manager with extensive sales and marketing experience.
Special responsibilities	Nil
Jenkins - Craig	(Appointed 15 July 2009)
Experience and expertise	Company Director with extensive experience in manufacturing, management, credit management on all facets. Chairman of various Trade groups over the last 35 years.
Special responsibilities	Nil
Lusher - Phillip	(Appointed 11 March 2014)
Experience and expertise	Government Accounting and extensive management experience, legal preparation and analytical research.
Special responsibilities	Nil
McKie - Peter	(Appointed 21 October 2003)
Experience and expertise	Company Director with an excess of 40 years experience in management, marketing, sales and logistics. Former President of Victorian Customs Association and Senior Lecturer (part-time) in International Trade at TAFE.
Special responsibilities	Company Secretary
Osborne - Kerri	(Appointed 13 May 2009)
Experience and expertise	Education Consultant with experience as a Primary School Teacher, followed by many years as an Education Consultant/Teacher and Store management.
Special responsibilities	Nil

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit Committee meetings	
	A	**B**	**A**	**B**
Brown - Peter	13	12	2	2
Clements - Glenn	13	12	N/A	N/A
Garafillis - Michael	13	10	N/A	N/A
Jenkins - Craig	13	9	N/A	N/A
Lusher - Phillip	13	12	N/A	N/A
McKie - Peter	13	12	2	2
Osborne - Kerri	13	13	N/A	N/A

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

Company Secretary

Peter Mckie has been the Company Secretary of Strathmore Community Services Limited since 17 November 2016.

Peter's qualifications and experience include owning and operating his own business and has held responsible positions for a number of community groups.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $269,605 (2018 profit: $26,226), which is a increase as compared with the previous year of $243,379. Donations and Sponsorships for the year were $682,591 (2018: $896,129).

During the year the company acquired the freehold property at 341 Napier Street, Strathmore for a total cost of $1,492,455.

Dividends

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 15 cents per share was declared and paid during 2019 for the year ended 30 June 2018.

No dividends were declared for the year ended 30 June 2019.

Options

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

Directors' report (continued)

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 9 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Strathmore on 18th September, 2019.

Peter Brown
Director

Auditor's independence declaration

McBain
McCartin & Co

Chartered Accountants
Audit & Assurance Services

PO Box 82 Balwyn
Victoria, Australia 3103
ABN 26 028 714 960

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF STRATHMORE COMMUNITY SERVICES LIMITED

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

i) the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

McBain McCartin & Co.

McBain McCartin & Co
Chartered Accountants

Simon Aukstin (CA)
Partner

123 Whitehorse Road,
BALWYN VIC 3103

Dated this 11th September 2019

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

	Notes	2019 $	2018 $
Revenue	2	2,347,880	2,228,236
Expenses			
Employee benefits expense	3	(806,963)	(823,720)
Depreciation and amortisation	3	(66,883)	(60,382)
Finance costs	3	(81,744)	(39,798)
Bad and doubtful debts expense	3	(8,216)	(1,875)
Occupancy expenses		(50,198)	(68,536)
IT costs		(51,838)	(72,453)
Marketing expenses		(46,961)	(55,390)
Other expenses		(195,902)	(188,876)
Operating profit before charitable donations and sponsorships		**1,039,175**	**917,206**
Charitable donations and sponsorships		(682,591)	(896,129)
Profit before income tax		**356,584**	**21,077**
Income tax expense/(Income)	4	86,979	(5,149)
Profit for the year		**269,605**	**26,226**
Other comprehensive income		-	-
Total comprehensive income for the year		**269,605**	**26,226**
Profit attributable to members of the company		269,605	26,226
Total comprehensive income attributable to members of the company		**269,605**	**26,226**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):		
- basic earnings per share	55.02	5.35

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

Statement of Financial Position
as at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	383,150	623,888
Trade and other receivables	6	201,803	210,825
Financial assets	7	-	110,595
Other assets	8	11,808	20,474
Total current assets		**596,761**	**965,782**
Non-current assets			
Property, plant and equipment	9	3,284,291	1,846,577
Intangible assets	10	18,828	30,125
Deferred tax assets	4	-	7,889
Total non-current assets		**3,303,119**	**1,884,591**
Total assets		**3,899,880**	**2,850,373**
Liabilities			
Current liabilities			
Trade and other payables	11	242,421	189,779
Borrowings	12	6,272	10,372
Provisions	13	115,401	45,592
Total current liabilities		**364,094**	**245,743**
Non-current liabilities			
Borrowings	12	1,884,849	1,151,249
Provisions	13	16,489	15,036
Total non-current liabilities		**1,901,338**	**1,166,285**
Total liabilities		**2,265,432**	**1,412,028**
Net assets		**1,634,448**	**1,438,346**
Equity			
Issued capital	14	490,010	490,010
Retained earnings	15	1,144,438	948,335
Total equity		**1,634,448**	**1,438,345**

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

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2017		490,010	971,110	1,461,120
Total comprehensive income for the year		-	26,226	26,226
Transactions with owners, in their capacity as owners				
Dividends paid or provided	24	-	(49,001)	(49,001)
Balance at 30 June 2018		**490,010**	**948,335**	**1,438,345**
Balance at 1 July 2018		490,010	948,335	1,438,345
Total comprehensive income for the year		-	269,605	269,605
Transactions with owners, in their capacity as owners				
Dividends paid or provided	24	-	(73,502)	(73,502)
Balance at 30 June 2019		**490,010**	**1,144,438**	**1,634,448**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,354,689	2,218,087
Payments to suppliers and employees		(1,786,867)	(2,085,072)
Interest paid		(83,871)	(34,187)
Interest received		2,018	31,921
Net cash provided by operating activities	**16b**	**485,969**	**130,749**
Cash flows from investing activities			
Purchase of plant and equipment		(845)	(3,598)
Purchase of Freehold Land and Buildings		(1,492,455)	(1,648,106)
Net cash flows used in investing activities		**(1,493,300)**	**(1,651,704)**
Cash flows from financing activities			
Proceeds from borrowings		920,000	1,190,000
Repayment of borrowings		(190,500)	(54,935)
Dividends paid		(73,502)	(49,001)
Net cash provided by financing activities		**655,998**	**1,086,064**
Net (decrease) in cash held		**(351,333)**	**(434,891)**
Cash and cash equivalents at beginning of financial year		734,483	1,169,374
Cash and cash equivalents at end of financial year	**16a**	**383,150**	**734,483**

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

Notes to the financial statements

For year ended 30 June 2019

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

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

The financial statements were authorised for issue by the Directors on 18 September 2019.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar unless otherwise stated.

Economic dependency

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank** 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:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank** branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities / (assets) are measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

Property, plant and equipment is measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present. (refer to Note 1(f) for details of impairment).

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

Depreciation

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

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation (continued)

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

Class of asset	Rate	Method
Buildings	2.50%	SL
Leasehold improvements	6.70%	SL
Plant and equipment	13-17%	SL
Motor vehicles	25.00%	DV

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

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

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

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

(g) Goods and services tax (GST)

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

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

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

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits

Short-term employee benefits

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

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future cash outflows to be made by the entity in respect of services provided by employees up to the reporting date. Interest Rates attaching, as at the reporting date, to corporate bonds that have maturity dates the approximate the terms of the obligations are used to discount the estimated future cash flows to their present value. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

(i) Intangible assets

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

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts. Revenue comprises service commissions and other income, and is recognised by the company when the right to receive the income has occured.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

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

No impact is shown for AASB 15 as the Directors, after applying the five step model per AASB 15, assessed that there is no material difference in the result of the company between applying AASB 118 and AASB 15.

(l) Financial Instruments

Initial recognition and measurement

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Note 1. Summary of significant accounting policies (continued)

(l) Financial Instruments (continued)

Initial recognition and measurement (continued)

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 and loss immediately.

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

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at :

- amortised cost : or
- Fair value through profit and loss.

A Financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3 applies:
- held for trading; or
- initially designated as at fair value through profit and loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

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.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit and loss

on the basis of the two primary criteria, being:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost when 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 princiapl amount outstanding on specified dates.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income’s measurement condition are subsequently measured at fair value through profit and loss.

Derecognition

Derecognition refers to the removal of previously recognised financial asset or financial liability from the statement of financial position.

Note 1. Summary of significant accounting policies (continued)

(l) Financial Instruments (continued)

Derecognition (continued)

Derecognition of financial liabilities

A liability is decrecognised 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 subtantial modifcation to the tems 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.

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.

All of the following criteria need to be satisfied for derecognition of a financial asset :

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been sunstantially transferred; and
- the company no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

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 losses on :

- financial assets that are measured at amortised cost or 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 used the simplified approach to impairment, as applicable under AASB 9.

Simplified approach

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 in every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach applicable to Trade receivables

In measuring the expected credit loss, consideration of various data is undertaken to get an expected credit loss (ie diversity of its customer base, appropriate companyings of its histrorical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the company recognised the movement (if any) in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

(m) Trade and other receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected withing 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Note 1. Summary of significant accounting policies (continued)

(m) Trade and other receivables (continued)

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Not 1(l) for further discussion on the determination of impairment losses.

(n) Trade and other payables

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

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(q) Contributed equity

Ordinary shares are classified as equity.

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

(r) Dividends

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

(s) New and amended accounting policies adopted by the company

The company has adopted AASB 9: Financial Instruments and AASB 15: Revenue from Contracts with Customers with an initial application date of 1 July 2018. As a result, there has been no material impact on the transactions and balances recognised within the financial statements.

As per AASB 9, an expeceted credit loss model is applied, not an incurred loss model as per AASB 139. To reflect changes in credit risk, the expected credit loss model requires the company to account for expected credit loss since initial recognition. There has been no material impact by adopting this new forward-looking assessment for credit losses.

(t) Comparative figures

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

Where the company retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceeding period in addition to the minimum comparative financial statements is presented.

Note 1. Summary of significant accounting policies (continued)

(u) Earnings per share

Basic earnings per share

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

(v) New accounting standards for application in future periods

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

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

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

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets;
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

Based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020, as the company has acquired further freehold property.

(w) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Employee benefits provision

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

Note 1. Summary of significant accounting policies (continued)

(w) Critical accounting estimates and judgements (continued)

Income tax

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

Impairment

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

Cost of Building

During the year the land and buildings at 341 Napier Street was acquired by the company. In order to determine the depreciable value for accounting purposes of the building, the Directors have considered insurance details and other market available information.

	2019 $	2018 $

Note 2. Revenue

	2019 $	2018 $
Revenue		
- services commissions	2,288,625	2,217,280
	2,288,625	**2,217,280**
Other revenue		
- interest received	899	10,956
- Telecommunications Tower Rent Received	58,356	-
	59,255	**10,956**
Total revenue	**2,347,880**	**2,228,236**

Note 3. Expenses

Profit before income tax includes the following specific expenses:

	2019 $	2018 $
Employee benefits expense		
- wages and salaries	749,411	761,186
- superannuation costs	57,552	62,534
	806,963	**823,720**
Depreciation and amortisation		
Depreciation		
- buildings	25,000	14,521
- plant and equipment	10,348	14,326
- leasehold improvements	20,238	20,238
	55,586	**49,085**

	2019 $	2018 $
Note 3. Expenses (continued)		
Amortisation		
- franchise fees	11,297	11,297
	11,297	**11,297**
Total depreciation and amortisation	**66,883**	**60,382**
Finance costs		
- Interest paid	81,744	39,798
Bad and doubtful debts expenses	8,216	1,875
Share registry services	3,637	4,075
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	7,500	7,000

Note 4. Income tax

a. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	98,060	5,796
Add/(subtract) tax effect of:		
- Non-deductible items	32,042	6,276
- Other	(43,123)	(17,221)
Income tax attributable to the entity	**86,979**	**(5,149)**
The applicable weighted average effective tax rate is	24%	-24%
b. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Unused tax losses	-	7,889
	-	**7,889**
Net deferred tax asset	**-**	**7,889**
c. Deferred tax asset movement		
Opening balance	7,889	2,740
(Charge)/Credit to income	(7,889)	5,149
Closing balance	**-**	**7,889**

Deferred tax assets are not recognised until it is probable there will be future taxable profits as disclosed in note 1(b).

	2019 $	2018 $

Note 4. Income tax (continued)

d. The components of tax expense (income) comprise :

- Current tax expense	86,979	-
- Deferred tax expense (income)	-	(5,149)
	86,979	**(5,149)**

Note 5. Cash and cash equivalents

Cash at bank and on hand	383,150	623,888
	383,150	**623,888**

Note 6. Trade and other receivables

Current

Trade receivables	201,726	210,552
Other receivables	77	273
	201,803	**210,825**

Credit risk

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

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

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2019						
Trade receivables	201,725	201,725	-	-	-	-
Other receivables	77	77	-	-	-	-
Total	**201,802**	**201,802**	**-**	**-**	**-**	**-**
2018						
Trade receivables	210,552	210,552	-	-	-	-
Other receivables	273	273		-	-	-
Total	**210,825**	**210,825**	**-**	**-**	**-**	**-**

	2019 $	2018 $

Note 7. Financial assets

Held to maturity financial assets		
Term deposits	-	110,595
	-	**110,595**

The effective interest rate on short-term bank deposits was 1.50% (2018: 1.50%); with an average maturity of 210 days.

Note 8. Other assets

Prepayments	9,858	18,524
Security bond	1,950	1,950
	11,808	**20,474**

Note 9. Plant and equipment

Freehold Land & Buildings		
At cost - Land	1,250,561	648,106
At cost - Buildings	1,890,000	1,000,000
Less accumulated depreciation	(39,521)	(14,521)
	3,101,040	**1,633,585**
Leasehold improvements		
At cost	462,996	462,996
Less accumulated depreciation	(300,533)	(280,295)
	162,463	**182,701**
Motor vehicle		
At cost	36,550	36,550
Less accumulated depreciation	(22,620)	(17,976)
	13,930	**18,574**
Plant and equipment		
At cost	88,046	88,157
Less accumulated depreciation	(81,188)	(76,440)
	6,858	**11,717**
Total plant and equipment	**3,284,291**	**1,846,577**
Movements in carrying amounts		
Freehold Land and Buildings		
Balance at the beginning of the reporting period	1,633,585	-
Additions	1,492,455	1,648,106
Depreciation expense	(25,000)	(14,521)
Balance at the end of the reporting period	**3,101,040**	**1,633,585**

	2019 $	2018 $

Note 9. Plant and equipment (continued)

	2019 $	2018 $
Leasehold improvements		
Balance at the beginning of the reporting period	182,701	202,939
Depreciation expense	(20,238)	(20,238)
Balance at the end of the reporting period	**162,463**	**182,701**
Motor vehicle		
Balance at the beginning of the reporting period	18,574	24,765
Depreciation expense	(4,644)	(6,191)
Balance at the end of the reporting period	**13,930**	**18,574**
Plant and equipment		
Balance at the beginning of the reporting period	11,717	16,254
Additions/(Disposals)	845	3,598
Depreciation expense	(5,704)	(8,135)
Balance at the end of the reporting period	**6,858**	**11,717**
Total plant and equipment		
Balance at the beginning of the reporting period	1,846,577	243,958
Additions	1,493,300	1,651,704
Depreciation expense	(55,586)	(49,085)
Balance at the end of the reporting period	**3,284,291**	**1,846,577**

Note 10. Intangible assets

	2019 $	2018 $
Franchise fee		
At cost	56,484	56,484
Less accumulated amortisation	(37,656)	(26,359)
	18,828	**30,125**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	30,125	41,422
Amortisation expense	(11,297)	(11,297)
Balance at the end of the reporting period	**18,828**	**30,125**

Note 11. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	169,597	19,364
Other creditors and accruals	72,824	170,415
	242,421	**189,779**

The average credit period on trade and other payables is one month. No interest is payable on outstanding payables during this period.

	2019 $	2018 $

Note 12. Borrowings

	2019 $	2018 $
Current		
Secured liabilities		
Finance leases	6,272	10,372
	6,272	**10,372**
Non-current		
Secured liabilities		
Finance leases	-	6,272
Bank loans	1,884,849	1,144,977
	1,884,849	**1,151,249**

(a) Lease liabilities

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

(b) Bank Loan

The bank loans are secured by a first registered mortgage over the freehold land and buildings owned by the company. The loans have a term of 10 years and at a variable interest rate with monthly repayment of Principal and interest required to be made.

Note 13. Provisions

	2019 $	2018 $
Current		
Income tax payable	79,091	-
Employee benefits	36,310	45,592
	115,401	**45,592**
Non-current		
Employee benefits	16,489	15,036
Total provisions	**131,890**	**60,628**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes tha total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be stttled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

	2019 $	2018 $

Note 14. Share capital

	2019 $	2018 $
490,010 Ordinary shares fully paid	490,010	490,010
	490,010	**490,010**

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	490,010	490,010
At the end of the reporting period	**490,010**	**490,010**

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

(b) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

Note 15. Retained earnings

	2019 $	2018 $
Balance at the beginning of the reporting period	948,335	971,110
Profit after income tax	269,605	26,226
Dividends paid	(73,502)	(49,001)
Balance at the end of the reporting period	**1,144,438**	**948,335**

	2019 $	2018 $

Note 16. Statement of cash flows

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

	2019 $	2018 $
Cash and cash equivalents (Note 5)	-	110,595
Term deposits (Note 7)	383,150	623,888
as per the statement of cash flow	**383,150**	**734,483**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	269,605	26,226
Non-cash flows in profit		
- Depreciation	55,586	49,085
- Amortisation	11,297	11,297
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	9,022	21,778
- (Increase) / decrease in prepayments and other assets	8,666	(16,670)
- (Increase) / decrease in deferred tax asset	7,889	(5,149)
- Increase / (decrease) in trade and other payables	52,642	43,990
- Increase / (decrease) in provisions	71,262	193
Net cash flows used in operating activities	**485,969**	**130,750**

Note 17. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	55.02	5.35
Earnings used in calculating basic earnings per share	269,605	26,226
Weighted average number of ordinary shares used in calculating basic earnings per share.	490,010	490,010

Note 18. Key management personnel and related party disclosures

(a) Key management personnel

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

No remuneration was paid to key management personnel of the company during the year.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

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

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

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

Name of related party	Description of goods/services	Value $
Peter Brown - Napier St Newsagency	Marketing, Printing & Stationery, Postage & Staff Amenities	8,230
Glenn Clements - Sportsmoves	Marketing	14,902

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

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2019.

(d) Key management personnel shareholdings

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

	2019	2018
Brown - Peter	2,000	2,000
Clements - Glenn	3,000	3,000
Garafillis - Michael	2,000	2,000
Jenkins - Craig	7,701	7,701
Lusher - Phillip	-	-
McKie - Peter	11,500	9,500
Osborne - Kerri	250	250

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

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 19. Events after the reporting period

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

Note 20. Contingent liabilities and contingent assets

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

Note 21. Operating segments

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

	2019 $	2018 $

Note 22. Commitments

Operating lease commitments

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

Payable:		
- no later than 12 months	28,684	28,333
- between 12 months and five years	4,812	77,801
Minimum lease payments	**33,496**	**106,134**

The Lloyd Street property lease was renewed on 27th September 2017, being a non-cancellable lease with a three year term expiring in 2020, with rent payable monthly in advance and with 4% increases each year. The starting annual rental is $34,000 (including GST). The lease has an option to extend the lease for two further three year terms to 26th September 2026.

	2019 $	2018 $

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

Payable:		
- no later than 12 months	6,367	10,915
- between 12 months and five years	-	6,367
Minimum lease payments	**6,367**	**17,282**
Less future interest charges	(95)	(638)
Finance lease liability	**6,272**	**16,644**

Finance leases comprise leases of motor vehicle under normal commercial finance lease terms and conditions repayable over 5 years.

Note 23. Company details

The registered office and principle place of business is: 337 Napier Street, Strathmore VIC 3041.

	2019 $	2018 $

Note 24. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 15 cents per share (2018:10.00) franked at the tax rate of 27.5% (2018: 27.5%).	73,502	49,001

No dividends were declared for the year ended 30 June 2019 as yet.

Note 25. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function provided by the franchisor, Bendigo and Adelaide Bank Limited.

Specific financial risk exposure and management

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

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2019 $	2018 $
Financial assets			
At amortised cost:			
Cash and cash equivalents	5	383,150	623,888
Trade and other receivables	6	201,803	210,825
Financial assets	7	-	110,595
Total financial assets		**584,953**	**945,308**
Financial liabilities			
At amortised cost:			
Trade and other payables	11	242,421	189,779
Borrowings	12	1,891,121	1,161,621
Total financial liabilities		**2,133,542**	**1,351,400**

(a) Credit risk

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

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

Credit risk exposures

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

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

Note 25. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk exposures (continued)

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

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

(b) Liquidity risk

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	383,150	383,150	-	-
Trade and other receivables	0%	201,803	201,803	-	-
Total anticipated inflows		**584,953**	**584,953**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	242,421	242,421	-	-
Borrowings	4.88%	1,891,121	164,312	1,521,367	205,442
Total expected outflows		**2,133,542**	**406,733**	**1,521,367**	**205,442**
Net inflow / (outflow) on financial instruments		**(1,548,589)**	**178,220**	**(1,521,367)**	**(205,442)**

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	623,888	623,888	-	-
Trade and other receivables	0%	210,825	210,825	-	-
Financial Assets	1.50%	110,595	110,595	-	-
Total anticipated inflows		**945,308**	**945,308**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	189,779	189,779	-	-
Borrowings	5.91%	1,161,621	168,412	796,567	196,642
Total expected outflows		**1,351,400**	**358,191**	**796,567**	**196,642**
Net inflow / (outflow) on financial instruments		**(406,092)**	**587,117**	**(796,567)**	**(196,642)**

(c) Market risk

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

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

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

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2019		
+/- 1% in interest rates (interest income)	3,832	3,832
+/- 1% in interest rates (interest expense)	(18,911)	(18,911)
	(15,079)	**(15,079)**

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Profit $	Equity $
Year ended 30 June 2018		
+/- 1% in interest rates (interest income)	7,345	7,345
+/- 1% in interest rates (interest expense)	(11,616)	(11,616)
	(4,271)	**(4,271)**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

(e) Fair values

Fair values (estimation)

The Directors and management believe the financial assets and liabilities are a reasonable approximation of their fair values at 30 June 2019. There are no indications of impairment on any financial asset disclosed in the financial report.

Directors' declaration

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

1. The financial statements and notes, as set out on pages 6 to 35 are in accordance with the *Corporations Act 2001* and:

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

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

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

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

Peter Brown
Director

Signed at Strathmore on 18th September, 2019.

McBain McCartin & Co

Chartered Accountants
Audit & Assurance Services

PO Box 82 Balwyn
Victoria, Australia 3103
ABN 26 028 714 960

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

ABN: 84 096 122 459

Report on the Audit of the Financial Report

Opinion

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

In our opinion:

the accompanying financial report of Strathmore Community 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 then ended; and

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

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

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

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Directors for the Financial Report

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

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

Auditor's Responsibilities 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 it is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

a. identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Financial Report *(Cont'd)*

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

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

f. Obtain sufficient appropriate audit evidence regarding the financial information or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

McBain McCartin & Co.

McBain McCartin & Co
Chartered Accountants

Simon Aukstin
Partner
Level 1, 123 Whitehorse Road
BALWYN VIC 3103

Dated this 23rd day of September 2019

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