Warrandyte Community Financial Services Limited

ABN 70 102 635 147

2019 Annual Report

Warrandyte **Community Bank** Branch

Contents

Chairman's report

For year ending 30 June 2019

Dear Shareholders,

The past financial year produced a number of challenges for Warrandyte **Community Bank** Branch. The decrease in lending interest rates and the decline in the price of housing stock did not counter the negative impact the banking industry experienced as a result of several factors, including the Royal Commission.

Unfortunately, Warrandyte **Community Bank** Branch did not escape the past year's challenges which have impacted our financial results for the year ending 30 June 2019. The lower than budgeted end of year profit sees your Board having to decrease this year's dividend to 10 cents per share fully franked. The lower than budgeted end of year result has also affected our ability to fund our local community groups to the level that we had hoped.

The year ahead will continue to provide challenges for us as the regulatory environment for the banking industry undergoes changes to be driven by the federal government. I'm sure any regulatory changes that may be introduced will be with the aim of fostering greater trust in the banking industry.

I believe that your **Community Bank** branch staff and Directors have the local community's trust and respect. It is this trust and respect that will continue to be front of mind as we work with our customers and community to ensure that their needs and our banking products provide the very best outcome for them.

As many of you may know, we recently farewelled Adrian Yong, our Mobile Relationship Manager. Adrian hasn't left the Bendigo family entirely as he joined Bendigo Bank's mobile relationship team. You will still see him around the township occasionally, as he continues to work with many in the community to bring their banking across to Warrandyte **Community Bank** Branch. We also farewelled Caleb Sutton and Phun Nin. We wish Adrian, Caleb and Phun well in their new careers.

I mentioned last year that in order to better our return to our shareholders and our community, we need the community to bank with Warrandyte **Community Bank** Branch. As shareholders, you know our point of difference, but there are many in our community who are yet to hear this, so I ask that you continue to act as our advocates and spread the message of our point of difference to those members of the community that don't yet bank with us – your banking allows up to 80% of the profits from Warrandyte **Community Bank** Branch to fund our community so that everyone who lives here can benefit.

Despite the disappointing results of the past year, I believe Warrandyte **Community Bank** Branch continues to have the community's trust to deliver great service and products, just as we have for the past 16 years. So, let's continue to have those conversations with friends, family and our community groups to see how we can make next year a bigger, better year!

Aaron Farr
Chairman

Manager’s report

For year ending 30 June 2019

With the support of our customers, we are extremely proud to have been able to support our community with community contributions of approximately $400,000 to local groups in the past twelve months. This means over $3.2 million in contributions have been distributed to our community since our inception in 2003.

This is something I am particularly proud of given the turbulent times we’ve experienced in the banking sector over the past 12 months.

We’ve also experienced a number of changes in branch over the past year as we welcomed Marie Briggs our new Customer Relationship Manager and Jessica King, our new Customer Service Officer. They have both been exceptional additions to our team, who continue to deliver the highest level of service to our customers.

We also had to say farewell to a number of our team – Adrian Yong, Phun Nin and Caleb Sutton. I would like to thank them for their contributions to the Warrandyte **Community Bank** Branch and wish them all the very best for their future endeavours.

During this time of uncertainty, our continued success is even more dependent upon the support of our customers and community. If you are not already banking with us, then I ask you for your support.
You can support us by:

- transferring your banking to the Warrandyte **Community Bank** Branch
- introducing the Warrandyte **Community Bank** Branch to the community groups and organisations with which you are personally involved
- asking community sponsorship and grant recipients (and their members) to transfer their banking to the Warrandyte **Community Bank** Branch
- inviting shareholders, existing customers and Directors to not only bank with us but spread the word and advocate for Warrandyte **Community Bank** Branch.

The Warrandyte **Community Bank** Branch is a real alternative to the major four banks. Our partnership with Bendigo and Adelaide Bank Limited (Australia’s fifth largest bank) allows us to provide you with a range of lending, insurance, business and wealth creation products, together with an expanding digital banking platform.

We maintain our point of difference with pride. Every time you choose to bank with us, your local community benefits. Not only do our profits go back into our community, we also give our customers choice about the way they choose to bank with us.

A strong commitment from Bendigo and Adelaide Bank to expand our digital banking platform will mean our customers have the choice to either conduct their banking online, or to continue to come into the branch and transact in a more traditional way. Whichever way you choose to bank with us, we are committed to assisting you.

It is wonderful to see the impact the Warrandyte **Community Bank** Branch continues to have on our community. Our strength is the partnerships we have with the people of Warrandyte, Wonga Park, Park Orchards and surrounding areas.

Thank you to all the staff, past and present for their support in branch.

Thank you to the Board of Directors and administrative staff for your ongoing leadership, support and continued commitment of time and effort into impacting our community.

Thanks to our partner, Bendigo and Adelaide Bank Limited, for its continued support and vision.

I would also like to thank our shareholders, who continue to support Warrandyte **Community Bank** Branch and without whom we would not exist.

And finally, a big thank you to our community groups, local clubs and customers for choosing us as their **Community Bank** branch.

Your ongoing support and advocacy are what continues to drive our business and I look forward to another successful year ahead.

Cheryl Meikle
Branch Manager

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 Warrandyte Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Directors	Details
Aaron Farr	
Position	Chairman
Professional qualifications	B.Com., Grad Dip LP, LL.B
Experience and expertise	Lawyer

Monica Piery	
Position	Deputy Chair
Professional qualifications	
Experience and expertise	Boards and Committee Officer, with extensive corporate governance in ASX listed companies.

Darren Ryding	
Position	Treasurer
Professional qualifications	B Bus (Accounting), FCPA
Experience and expertise	Experience in franchising, retail hospitality, automotive after-sales, manufacturing and financial services industries

Clifford Dawson	
Position	Company Secretary
Professional qualifications	B Ec, FCA
Experience and expertise	Past experience in public practice as a business advisor, tax agent and registered company auditor

John Provan	
Position	Board Member
Professional qualifications	Registered Builder Practitioner
Experience and expertise	Experience in commercial and domestic construction

Lance Ward	
Position	Board Member
Professional qualifications	LL.B (Hons), PGDip Marketing
Experience and expertise	General Management, Sales & Marketing and Operations, Strategy Development and Execution

Leasa Dyason	
Position	Board Member
Professional qualifications	LL.B (Hons) and Grad Dip LP
Experience and expertise	Banking and finance litigation and corporate governance as a lawyer

Claire Jones - Appointed 01/07/2018	
Position	Board Member
Professional qualifications	BSC Hons Mathematics and Management Sciences
Experience and expertise	Variety of roles within the banking sector over a ten year period.

Directors' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

	Board Meetings		Audit and Governance Committee Meetings	
Director	**A**	**B**	**A**	**B**
Aaron Farr	10	9	2	2
Monica Piery	10	9	2	2
Darren Ryding	10	10	2	2
Clifford Dawson	10	9	2	2
John Provan	10	5	N/A	N/A
Lance Ward	10	7	N/A	N/A
Leasa Dyason	10	5	N/A	N/A
Claire Jones - Appointed 01/07/2018	10	9	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

Clifford Dawson has been the Company Secretary of Warrandyte Community Financial Services Limited since November 2015. Clifford's qualifications and experience include Bachelor of Economics and Fellow Chartered Accountant, and his past experience includes Public Practice Business Advisor, Tax Agent and Registered Company Auditor.

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 $79,201 (2018 profit: $81,295), which is a 2.6% decrease as compared with the previous year.

Dividends

A fully franked dividend of 12 cents per share was declared and paid during the 2019 financial year for the year ended 30 June 2018. Subsequent to the end of the financial year, a fully franked dividend of 10 cents per share ($67,946) was declared in respect of 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.

Significant changes in the state of affairs

Warrandyte Community Financial Services Limited entered into a new franchise agreement effective 1 July 2018 with Bendigo and Adelaide Bank Limited for an initial term of 5 years with two further five year options.

Directors' report (continued)

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 7 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 Warrandyte on 23 September 2019.

Afarr

Aaron Farr
Director

Auditor's independence declaration

rsd Audit

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

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

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Warrandyte Community Financial Services Limited

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

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

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

RSD Audit

Phil Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 23 September 2019

Financial statements

Warrandyte Community Financial Services Limited
ABN 70 102 635 147
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	2	1,348,890	1,478,392
Expenses			
Employee benefits expense	3	(598,393)	(588,823)
Depreciation and amortisation	3	(28,833)	(29,564)
Bad and doubtful debts expense	3	(1,144)	(304)
Administration and general costs		(29,117)	(52,594)
Rent		(75,754)	(73,618)
IT expenses		(38,246)	(37,404)
Accounting fees		(16,330)	(15,014)
Advertising expense		(21,887)	(20,760)
Telephone and internet expense		(8,716)	(8,563)
Professional fees		(8,126)	(33,656)
Repairs and maintenance		(2,705)	(3,234)
ATM fees		(10,795)	(17,706)
MV costs		(14,849)	(13,058)
Other expenses		(90,809)	(77,351)
		(945,704)	(971,649)
Operating profit before charitable donations & sponsorship		**403,186**	**506,743**
Charitable donations and sponsorships		(290,487)	(392,454)
Profit before income tax		**112,699**	**114,289**
Income tax expense	4	(33,498)	(32,994)
Profit for the year after income tax		**79,201**	**81,295**
Other comprehensive income		-	-
Total comprehensive income for the year		**79,201**	**81,295**
Profit attributable to members of the company		79,201	81,295
Total comprehensive income attributable to members of the company		**79,201**	**81,295**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	11.66	11.96

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

Warrandyte Community Financial Services Limited
ABN 70 102 635 147
Statement of Financial Position
as at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	892,355	1,142,080
Trade and other receivables	6	117,420	123,633
Financial assets	7	270,621	-
Current tax asset	4	-	1,271
Other assets	8	11,542	1,566
Total current assets		**1,291,938**	**1,268,550**
Non-current assets			
Plant and equipment	9	137,011	143,983
Intangible assets	10	52,888	66,111
Deferred tax assets	4	10,345	15,461
Total non-current assets		**200,244**	**225,555**
Total assets		**1,492,182**	**1,494,105**
Liabilities			
Current liabilities			
Trade and other payables	12	90,158	131,737
Current tax liability	4	2,603	-
Provisions	13	36,724	38,953
Total current liabilities		**129,485**	**170,690**
Non-current liabilities			
Trade and other payables	12	43,776	-
Provisions	13	5,901	8,061
Total non-current liabilities		**49,677**	**8,061**
Total liabilities		**179,162**	**178,751**
Net assets		**1,313,020**	**1,315,354**
Equity			
Issued capital	14	657,286	657,286
Retained earnings	15	655,734	658,068
Total equity		**1,313,020**	**1,315,354**

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

Warrandyte Community Financial Services Limited
ABN 70 102 635 147
Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018		**657,286**	**658,068**	**1,315,354**
Comprehensive income for the year				
Profit for the year		-	79,201	79,201
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(81,535)	(81,535)
Balance at 30 June 2019		**657,286**	**655,734**	**1,313,020**
Balance at 1 July 2017		657,286	658,308	1,315,594
Comprehensive income for the year				
Profit for the year		-	81,295	81,295
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(81,535)	(81,535)
Balance at 30 June 2018		**657,286**	**658,068**	**1,315,354**

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

Warrandyte Community Financial Services Limited
ABN 70 102 635 147
Statement of Cash Flows
for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,459,751	1,598,345
Payments to suppliers and employees		(1,334,108)	(1,429,271)
Interest received		17,674	19,224
Income tax paid		(24,507)	(43,245)
Net cash flows provided by operating activities	18b	**118,810**	**145,053**
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,638)	(406)
Purchase of investments		(270,621)	-
Purchase of intangible assets		(7,741)	-
Net cash flows used in investing activities		**(287,000)**	**(406)**
Cash flows from financing activities			
Dividends paid		(81,535)	(81,535)
Net cash flows used in financing activities		**(81,535)**	**(81,535)**
Net increase/(decrease) in cash held		**(249,725)**	**63,112**
Cash and cash equivalents at beginning of financial year		1,142,080	1,078,968
Cash and cash equivalents at end of financial year	18a	**892,355**	**1,142,080**

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 Warrandyte Community Financial Services Limited.

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

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

1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

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

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** 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.

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 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; and
- Sale techniques and proper customer relations.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

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

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

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

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

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.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(e) 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.

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

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

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

AASB 15 Revenue from Contracts with Customers

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

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

AASB 9 Financial Instruments

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

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

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

(g) New accounting standards for application in future periods

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

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

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

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

AASB 16:
- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $413,708. The company expects to record a retrospective opening Balance Sheet asset of $268,817, a corresponding Liability of $364,958 and a Profit and Loss effect of $8,851 expense.

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

(h) Change in accounting policies

Revenue

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

To determine whether to recognise revenue, the company follows a 5-step process:
1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

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

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

b) upon receipt.

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments

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

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

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

Subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets are classified as financial assets at amortised cost.

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

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

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

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

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

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

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments (continued)

Classification and measurement of financial liabilities

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

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

Reconciliation of financial instruments on adoption of AASB 9

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

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	123,633	123,633
Term deposits	Held to maturity	Amortised cost	934,779	934,779
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	131,737	131,737

2. Revenue

	2019 $	2018 $
Revenue		
- share of service income	1,329,973	1,458,954
	1,329,973	1,458,954
Other revenue		
- interest received	18,917	19,208
- other revenue	-	230
	18,917	19,438
Total revenue	**1,348,890**	**1,478,392**

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

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

Interest and other income

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

Other revenue is recognised when the right to the income has been established.

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

2. Revenue (continued)

Rendering of services

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

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

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

Discretionary Financial Contributions

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

Form and Amount of Financial Return

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	537,590	531,577
- superannuation costs	44,650	46,805
- other costs	16,153	10,441
	598,393	588,823
Depreciation and amortisation		
Depreciation		
- leasehold improvements	3,813	5,985
- plant and equipment	5,721	4,606
- motor vehicles	6,076	6,076
	15,610	16,667
Amortisation		
- franchise fees	2,204	2,151
- renewal process fees	11,019	10,746
	13,223	12,897
Total depreciation and amortisation	28,833	29,564
Bad and doubtful debts expenses	1,144	304
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	6,180	7,140
- Accounting services	10,000	10,000
	16,180	17,140

Operating expenses

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

Depreciation and amortisation

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

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

Class of asset	*Rate*	*Method*
Leasehold improvements	2.5 -40%	Straight line & Diminishing value
Plant and equipment	5 - 50%	Straight line & Diminishing value
Motor vehicles	13%	Straight line
Franchise renewal fees	20%	Straight line

Notes to the financial statements (continued)

4. Income tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	28,920	33,644
Deferred tax expense	3,998	(676)
Over provision of prior years	580	26
	33,498	**32,994**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2018: 27.5%)	30,992	31,429
Add tax effect of:		
- Under provision of prior years	580	-
- Non-deductible expenses	1,904	1,565
- Penalties and fines	22	-
Income tax attributable to the entity	**33,498**	**32,994**
The applicable weighted average effective tax rate is:	29.72%	28.87%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(1,271)	8,330
Income tax paid	(24,508)	(43,245)
Current tax	28,920	33,644
Under / (over) provision prior years	(538)	-
	2,603	**(1,271)**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	3,109	3,502
Employee provisions	11,722	12,929
	14,831	**16,431**
Deferred tax liabilities comprise:		
Accrued income	1,312	970
Prepayments	3,174	-
	4,486	970
Net deferred tax asset	**10,345**	**15,461**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(206)	(646)
(Decrease) / increase in deferred tax liabilities	3,086	(30)
Under / (over) provision prior years	1,118	26
	3,998	**(650)**

Notes to the financial statements (continued)

4. Income tax (continued)

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

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

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

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

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

5. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	210,534	207,301
Short-term bank deposits	681,821	934,779
	892,355	**1,142,080**

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

The effective interest rate on short-term bank deposits was 2% (2018: 1.64%); these deposits have an average maturity of 90 days.

6. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	112,650	120,106
Other receivables	4,770	3,527
	117,420	**123,633**

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

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

Notes to the financial statements (continued)

6. Trade and other receivables (continued)

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	112,650	112,650	-	-	-	-
Other receivables	4,770	4,770	-	-	-	-
Total	**117,420**	**117,420**	**-**	**-**	**-**	**-**
2018						
Trade receivables	120,106	120,106	-	-	-	-
Other receivables	3,527	3,527	-	-	-	-
Total	**123,633**	**123,633**	**-**	**-**	**-**	**-**

7. Financial assets

	2019 $	2018 $
Amortised cost		
Term deposits	270,621	-
	270,621	-

The interest rate on the bank deposit was 2.3%. This deposit has a term of 5 months, maturing on 1 August 2019.

(a) Classification of financial assets
The company classifies its financial assets as financial assets at amortised cost.

Classifications are determined by both:
- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

(b) Measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

Notes to the financial statements (continued)

7. Financial assets (continued)

(c) Impairment of financial assets

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

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

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

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

(d) Derecognition

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

8. Other assets

	2019 $	2018 $
Prepayments	11,542	1,566
	11,542	**1,566**

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

9. Plant and equipment

	2019 $ At cost	2019 $ Accumulated depreciation	2019 $ Written down value	2018 $ At cost	2018 $ Accumulated depreciation	2018 $ Written down value
Leasehold improvements	174,139	(93,200)	80,939	174,547	(89,390)	85,157
Plant and equipment	98,497	(72,367)	26,130	89,079	(66,271)	22,808
Motor vehicles	48,604	(18,662)	29,942	48,604	(12,586)	36,018
Total plant and equipment	**321,240**	**(184,229)**	**137,011**	**312,230**	**(168,247)**	**143,983**

Plant and equipment

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

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

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

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

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

(a) Capital expenditure commitments

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

9. Plant and equipment (continued)

(b) Movements in carrying amounts of P&E

2019	Opening written down value $	Additions $	Transfers $	Depreciation $	Closing written down value $
Leasehold improvements	85,157	-	(405)	(3,813)	80,939
Plant and equipment	22,808	8,638	405	(5,721)	26,130
Motor vehicles	36,018	-	-	(6,076)	29,942
Total plant and equipment	**143,983**	**8,638**	**-**	**(15,610)**	**137,011**

2018	Opening written down value $	Additions $	Transfers $	Depreciation $	Closing written down value $
Leasehold improvements	90,737	405	-	(5,985)	85,157
Plant and equipment	27,414	-	-	(4,606)	22,808
Motor vehicles	42,094	-	-	(6,076)	36,018
Total plant and equipment	**160,245**	**405**	**-**	**(16,667)**	**143,983**

10. Intangible assets

	2019 $ At cost	2019 $ Accumulated amortisation	2019 $ Written down value	2018 $ At cost	2018 $ Accumulated amortisation	2018 $ Written down value
Franchise fees	11,023	(2,204)	8,819	22,555	(11,532)	11,023
Renewal process fee	55,088	(11,019)	44,069	112,777	(57,689)	55,088
Total intangible assets	**66,111**	**(13,223)**	**52,888**	**135,332**	**(69,221)**	**66,111**

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

Movements in carrying amounts

2019	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	11,023	-	(2,204)	8,819
Renewal process fee	55,088	-	(11,019)	44,069
Total intangible assets	**66,111**	**-**	**(13,223)**	**52,888**

2018	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	2,151	11,023	(2,151)	11,023
Renewal process fee	10,746	55,088	(10,746)	55,088
Total intangible assets	**12,897**	**66,111**	**(12,897)**	**66,111**

Notes to the financial statements (continued)

11. Financial liabilities

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

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

12. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	34,967	54,546
Other creditors and accruals	40,599	77,191
Franchise fee payable	14,592	-
	90,158	**131,737**
Non-Current		
Unsecured liabilities:		
Franchise fee payable	43,776	-
	43,776	**-**

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

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

13. Provisions

	2019 $	2018 $
Current		
Annual leave	15,369	24,051
Long service leave	21,355	14,902
	36,724	38,953
Non-current		
Long service leave	5,901	8,061
Total provisions	**42,625**	**47,014**

Short-term employee benefits

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

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

13. Provisions (continued)

Other long-term employee benefits

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

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

14. Share capital

	2019 $	2018 $
679,460 Ordinary shares fully paid	679,460	679,460
Less: Equity raising costs	(22,174)	(22,174)
	657,286	**657,286**

Ordinary shares are classified as equity.

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

(a) Movements in share capital

	2019	2018
Fully paid ordinary shares:		
At the beginning of the reporting period	679,460	679,460
At the end of the reporting period	**679,460**	**679,460**

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%.

Notes to the financial statements (continued)

14. Share capital (continued)

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.

15. Retained earnings

	2019 $	2018 $
Balance at the beginning of the reporting period	658,068	658,308
Profit for the year after income tax	79,201	81,295
Dividends paid	(81,535)	(81,535)
Balance at the end of the reporting period	**655,734**	**658,068**

16. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 12 cents per share (2018:12 cents) franked at the tax rate of 27.5% (2018: 27.5%).	81,535	81,535

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

17. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	11.66	11.96
Earnings used in calculating basic earnings per share	79,201	81,295
Weighted average number of ordinary shares used in calculating basic earnings per share	679,460	679,460

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.

Notes to the financial statements (continued)

18. Statement of cash flows

	2019 $	2018 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	892,355	1,142,080
As per the Statement of Cash Flow	**892,355**	**1,142,080**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	79,201	81,295
Non-cash flows in profit		
- Depreciation and amortisation	28,833	29,564
- Bad debts	1,144	304
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	5,069	4,416
- (increase) / decrease in prepayments and other assets	(9,976)	531
- (Increase) / decrease in deferred tax asset	5,116	(649)
- Increase / (decrease) in trade and other payables	(33,838)	44,057
- Increase / (decrease) in current tax liability	3,874	(9,601)
- Increase / (decrease) in provisions	(4,389)	(4,864)
Net cash flows from operating activities	**75,034**	**145,053**

19. Key management personnel and related party disclosures

(a) Key management personnel

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

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

	2019 $	2018 $
Short-term employee benefits	13,500	12,000
Total key management personnel compensation	**13,500**	**12,000**

Short-term employee benefits
These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

(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.

Notes to the financial statements (continued)

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

(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.

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 provided	Value $
Liz Ryding - related party of Darren Ryding	Bookkeeping Services	17,105

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

The 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 $6,090 for the year ended 30 June 2019.

Notes to the financial statements (continued)

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

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

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

	2019 $	2018 $
Aaron Farr	5,150	5,150
Monica Piery	-	-
Darren Ryding	-	-
Clifford Dawson	540	50
John Provan	-	-
Lance Ward	-	-
Leasa Dyason	-	-
Claire Jones	400	-
	6,090	5,200

(d) Key management personnel shareholdings

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

	2019 $	2018 $
John Provan	10,001	10,001
	10,001	10,001

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 by key management or related parties other than those described above.

20. Community Enterprise Foundation™

The Community Enterprise Foundation™ (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which **Community Bank** branches can make financial contributions. These contributions made by the company are included in the charitable donations and sponsorship expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

During the current financial year, the company contributed funds to the Community Enterprise Foundation ™ (CEF), as detailed below. These funds are held in trust by the CEF on behalf of the company and are available for distribution by grants to eligible applicants.

	2019 $	2018 $
Opening Balance	328,512	470,216
Contributions	132,000	150,000
Grants Paid	(257,769)	(295,582)
Interest	4,516	7,115
GST	3,293	3,620
Management fees	(6,000)	(6,857)
Balance available for distrubution in future periods	**204,552**	**328,512**

Notes to the financial statements (continued)

21. Events after the reporting period

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

22. Contingent liabilities and contingent assets

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

23. Operating segments

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

24. Commitments

Operating lease commitments

	2019 $	2018 $
Payable:		
- no later than 12 months	84,144	79,306
- between 12 months and five years	329,564	310,614
Minimum lease payments	413,708	389,920

The property lease is a non-cancellable lease with a five year term, rent payable monthly in advance and with CPI increases each year. There are two further five year options available.

Non-cancellable operating leases contracted for are not capitalised in the Statement of Financial Position, however this will change upon the adoption of AASB 16 in the 2020 financial year.

25. Company details

The registered office and principal place of business is 144 Yarra Street, Warrandyte VIC 3113.

Notes to the financial statements (continued)

26. Financial instrument risk

Financial risk management policies

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

Specific financial risk exposure and management

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

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

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	892,355	1,142,080
Trade and other receivables	6	117,420	123,633
Financial assets	7	270,621	-
Total financial assets		**1,280,396**	**1,265,713**
Financial liabilities			
Trade and other payables	12	90,158	131,737
Total financial liabilities		**90,158**	**131,737**

(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.

Notes to the financial statements (continued)

26. Financial instrument risk (continued)

(a) Credit risk (continued)

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

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

(b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.53%	892,355	892,355	-	-
Trade and other receivables		117,420	117,420	-	-
Financial assets	2.30%	270,621	270,621	-	-
Total anticipated inflows		1,280,396	1,280,396	-	-
Financial liabilities					
Trade and other payables		90,158	90,158	-	-
Total expected outflows		90,158	90,158	-	-
Net inflow / (outflow) on financial instruments		**1,190,238**	**1,190,238**	**-**	**-**

26. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.64%	1,142,080	1,142,080	-	-
Trade and other receivables		123,633	123,633	-	-
Total anticipated inflows		1,265,713	1,265,713	-	-
Financial liabilities					
Trade and other payables		131,737	131,737	-	-
Total expected outflows		131,737	131,737	-	-
Net inflow / (outflow) on financial instruments		**1,133,976**	**1,133,976**	**-**	**-**

(c) Market risk

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

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

Interest rate risk

Exposure to interest rate risk arises on financial assets 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 cash and cash equivalents and term deposits.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of +/- 1% in market interest rates from year-end rates.

These movements will not have a material impact on the valuation of the company's financial assets and liabilities, nor will they have a material impact on the results of the company's operations.

Sensitivity analysis

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

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

	2019		2018	
	Profit $	Equity $	Profit $	Equity $
+/- 1% in interest rates (interest income)	11,630	11,630	11,421	11,421
	11,630	11,630	11,421	11,421

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

Directors' declaration

Warrandyte Community Financial Services Limited
ABN 70 102 635 147
Directors' Declaration

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

1. The financial statements and notes, as set out on pages 4 to 36 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.

Aaron Farr
Director

Signed at Warrandyte on 23 September 2019.

Independent audit report

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion:

(a) the financial report of Warrandyte Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the year then ended; and

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

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

Basis for Opinion

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

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

Independence

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

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

Director's Responsibility for the Financial Report

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

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

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
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Auditor's Responsibility

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

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

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

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

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

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

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

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

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

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

Independent audit report (continued)

Other Information

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

RSD Audit
Chartered Accountants

Phil Delahunty
Partner
Bendigo
Dated: 23 September 2019

Warrandyte **Community Bank** Branch
144 Yarra Street, Warrandyte VIC 3113
Phone: (03) 9844 2233 Fax (03) 9844 2396
Email: warrandytemailbox@bendigobank.com.au

www.bendigobank.com.au/warrandyte
www.facebook.com/WarrandyteCommunityBankBranch

Franchisee: Warrandyte Community Financial Services Limited
144 Yarra Street, Warrandyte VIC 3113
Phone: (03) 9844 2233 Fax (03) 9844 2396
Email: contact@warrandytecb.com.au
ABN: 70 102 635 147

Share Registry: RSD Registry, Lead Advisory Group
32 Garsed Street, Bendigo VIC 3550
Postal Address: PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4222 Fax: (03) 5444 4344
Email: shares@rsdregistry.com.au
www.leadgroup.com.au

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