Pine Rivers Community Finance Limited

ABN 14 098 199 476

2019 Annual Report

Samford Community Bank Branch

Brendale Community Bank Branch

Contents

Chairman's report

For year ending 30 June 2019

It is with pleasure that I present to shareholders this 18th Report of Pine Rivers Community Finance Limited.

In 2019 we are celebrating the seventeenth year since establishment of the Brendale Branch and the provision of banking services through our unique Community Bank model to the residents and businesses of Brendale, Samford and surrounding areas. Our Samford Branch also celebrates its 10th year of business in 2019. We are proud to be part of the 160 year history of **Bendigo Bank** with our branches being two of the 321 Community Bank branches that have grown to span the country since introduction of the Community Bank model 21 years ago.

Business Results

Over the last twelve months, we have continued to grow the business, with revenue increasing by 4.6% to $1.411m and operating profit before tax and community grants increasing by 75% to $213,305.

Net customer numbers have grown slightly increasing by 5% (previous year 6%) and loans under management increasing by 5%. The value of our customers' banking business is now sitting at $200 million.

Revenue growth will continue to be challenging over the next 12 months, with interest rates and margins not expected to show any great improvement in the company's favour.

Your board is actively reviewing its business and customer service focus to best manage the operational costs of the business and ensure the maximum level of service to our customers. Notwithstanding the challenges, we have committed to maintaining a strong level of investment in our communities during this financial year.

As other financial providers withdrew services from our community during the year, your Community Bank continues to build its reputation and commitment to meeting your banking needs.

We will continue to engage with our community partners and leverage these relationships to both communicate our unique value proposition and, through our team of passionate staff, expand our customer base.

Our Community

Although growth in company revenue has been difficult to achieve this last twelve months, Brendale and Samford Community Bank Branches continue to actively support community groups and projects financially over the year and our staff and volunteer directors have participated in a number of community engagement activities at major sporting events, as well as Dayboro Day, and the Samford and Pine Rivers annual shows.

Apart from providing direct grants and sponsorships to a number of organisations, for different projects, across education, sporting, cultural, charitable, public safety, health and disability services your company has continued its popular driver education programme in partnership with Lakeside Park to help young drivers get off to a sound start to their driving lives. Consideration is being given to expanding this programme to more experienced drivers.

The decision four years ago to commit to a programme of installing **life-saving defibrillators** in strategic public locations throughout our region (including one that has saved a life) has now seen units placed at 6 individual sites. As a company, our primary objective is to make a significant and positive contribution in the communities in which we live and do business, and we are extremely pleased to have once again achieved this objective.

Over the last nine financial years, the total financial support we have injected into local not-for-profit projects and community groups has exceeded $550,000, and on behalf of the community, we thank you, for the contribution you have made to this outcome.

Chairman's report (continued)

Our customers, community organisations and shareholders continue to be our greatest advocates.

Our Shareholders

Apart from providing the capital that underpins the company, shareholders play an even greater role through being customers of our branches and more importantly, being active advocates amongst family, friends and associates. We thank you for this support as do those organisations who benefit from the profits your company generates and is able to distribute through the community.

Notwithstanding the challenging conditions in which we operate, the company's overall financial position remains strong and ongoing profitability has enabled a shareholder dividend payment of 3.5 cents per share (2.5cps in 2018). Your Board is proud of the company's dividend track record – having an unbroken record of dividend payments since 2011 during which distributions totalled 35 cents of dividends per share were paid.

Our Team

Our team comprises a group of 9 dedicated volunteer directors and a team of 11 professional and friendly staff at both Brendale and Samford branches who provide a comprehensive range of competitive banking products to our customers.

In early 2019 we farewelled our long serving Senior Manager, Bronwyn Fitzpatrick, who moved back to north Queensland to be closer to her growing family. The board was pleased to welcome, as her successor, Mandy Bell, who commenced her career with us in the early days at Brendale and returned more recently as our Mobile Relationship Manager before taking up the Senior Manager position. Since her appointment, the board has been working closely with Mandy her staff and the broader Bendigo bank team, to ensure that the Bank's value proposition and status as Australia's most customer connected bank continues to be upheld.

We were pleased to see the Board's capabilities further strengthened in early 2019 with the appointment of local accountant, Ruth Lennon as an additional director.

Also, during the year we farewelled Melinda Fleming as a director following a move interstate and in early August 2019 our longest serving director of 12 years, Bob Millar, stood down from the position of chair he has held since December 2016 to focus on personal health issues. We wish Bob well in the time ahead.

I would personally like to thank our Board members, our staff and the Bendigo Bank support team for giving their time and effort towards achieving the aims and goals of our company that are supporting a strong, successful, well connected and resilient community.

The unique point of difference between our company and other similar service providers is one of which we are extremely proud. I thank all of our shareholders, staff, customers and community partners for their ongoing support, and as we progress into the third decade of the exciting, innovative Community Bank model, I urge everyone to become vocal advocates for our company and its two branches.

Paul Outen
Acting Chairman

Senior Manager’s report

For year ending 30 June 2019

I am honoured to be able to report to you for my first annual report that we had another successful year’s business results at both Brendale and Samford Community Bank for the financial year ending 30 June 2019.

I was fortunate to be offered the Senior Branch Manager role in March of this year, after a role within the team as the Mobile Relationship Manager for 2 years. In my early days with Bendigo Bank I was employed by our Brendale Community Bank for 5 years where I started my journey to leadership. It is wonderful to be back with the company and I look forward to working with the board of directors and staff as the new Senior Branch Manager.

During the last twelve months, we have seen within our business some significant staff changes and this has caused some instability through the team. However, through it all the staff have maintained the strong customer relationships that we have always prided ourselves on and continued to grow our business.

Our performance has been impacted in the last year by external demands on the finance industry in an environment of tough lending conditions and increased levels of compliance. Throughout this uncertainty we as a company have continued to move forward and look towards the future and what we need to do to further increase our footprint.

At the core of what we achieve every year is the community investment programme that commenced in early 2012. We continued this year to provide much needed financial support to many community groups within our community. The community contributions since 2010 now exceed $550,000 and without all our wonderful customers we could not have achieved this wonderful contribution. Some of the community highlights over the last twelve months have included:

- Continuing the Annual Youth Defensive Driving Programme at Lakeside Park.
- Lawnton State School – Communication sign
- Partnership with East Coast Apprenticeships to continue their work with Apprentices in multiple industries
- Assisting with the purchase of much needed equipment for the Pine Rivers Men’s Shed
- Partnership with the Pine Rivers Show society to help them continue the running of the annual show
- New equipment for Millen Farm
- Assistance with the annual Samford Fun Run
- Ongoing partnership with the Samford Stags Football Club
- Mount Samson State School assistance with Communication on grounds and Community Spirit Award
- Partnership with Pine Hills Lightening Baseball
- Financially supported a horse for Riding for the Disabled
- Mount Glorious Art with Altitude annual exhibition
- Continued financial support for Verse for Vinnies to hold poetry events
- Assisted with the purchase of alert pendants for the elderly in partnership with the Samford Support Network.

Senior Manager’s report (continued)

Over the next 12 months, our business priorities will be refined, we will focus on Bendigo Banks vision to be Australia’s Bank of Choice. To achieve this, we will need to focus on our people and the direction that we as a Community Bank® need to go to move into the future of banking. Our people will form the foundation to our success moving forward and we will need to ensure that we have the right people in the right roles. We will also want to ensure that we provide the necessary tools and resources to enable our staff to grow and achieve this success. The future of banking is in the digital space and as a Community Bank we have this front of mind. How can we make it easier for our customers to do business with us, what will that look like and how can we make this happen? It is exciting times ahead for our team and I am thrilled to be a part of its success moving forward.

Thank you to our volunteer board of directors for their ongoing commitment and support to help our Community Bank every year.

I look forward to working with the board of directors and providing leadership and direction for our staff in the coming years.

M Bell

Mandy Bell
Senior Manager
Brendale & Samford Community Bank

Bendigo and Adelaide Bank report

For year ending 30 June 2019

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local board of directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For year ending 30 June 2019

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

Directors

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

Robert Millar

Position	Chairperson (retired as Chairperson August 2019)
Professional qualifications	Diploma Australian Institute of Company Directors (AICD); Fellow of AICD, Fellow Financial Services Institute of Australia.
Experience and expertise	Over 30 years experience in banking industry; Councillor Moreton Bay Regional Council - 2000 to 2016 (Chairman of Corporate Services, Chairman of Audit Committee); Member Local Government Mutual Board since 2008 - present (Chairman of Finance Committee); Member Local Government Workcover Board since 2009 - present.

Gail Brown

Position	Company Secretary
Experience and expertise	A trained and accredited mediator. Over 25 years experience in the banking industry; 20 years with Uni Credit Union with roles and responsibilities ranging from Teller to Branch Manager. A merger with bankmecu in 2008 provided opportunities within a larger organisation and Gail took up the role of Queensland Personal Banking Service Manager. Gail retired from this position in 2013.

Paul Outen

Position	Acting Chairperson (since August 2019) and Treasurer
Professional qualifications	Bachelor of Business; Member of the Association of Chartered Accountants.
Experience and expertise	Owner of First Class Accounts; 2nd Officer of Closeburn Rural Fire Brigade; Director of Ozmann Pty Ltd.

Kenneth Armstrong

Position	Non-Executive Director
Experience and expertise	Major, retired, British Army RA, Retired Managing Director of a major military procurement organisation in the Middle East (15 years in Oman) and inaugural president of the Arts Alliance of Pine Rivers (now a local Arts Council). Past president of the Rotary Club of Albany Creek.

Directors (continued)

Abigail Senior

Position	Non-Executive Director
Professional qualifications	PhD, MSc Strategy & Resource Management, BA (Hons) Business Management, Member AICD.
Experience and expertise	Professor of Work and Organisation and Director of QUT's Academy of Learning and Teaching. Prior to moving to Australia Abby worked in management roles in the UK. Abby is an international accreditor and Principal Fellow of the Higher Education Academy (UK) and has wide leadership experience working with community organisations and Higher Education providers globally.

Carolyn Grant

Position	Non-Executive Director
Professional qualifications	Diploma Australian Institute of Company Directors (AICD); Bachelor of Commerce; Bachelor of Arts; Associate of Net Promotor Score; Advanced Diploma in Neuroscience in Leadership.
Experience and expertise	Carolyn is director and founder of 6peas marketing and engagement. Carolyn has over 20 years in senior level marketing roles in Australia and Hong Kong in Finance, Energy and Retail. Carolyn has previously served on Samford Show Society and Mater Foundation committees for 8 years.

Kellie Pamic

Position	Deputy Chairperson (since August 2019)
Professional qualifications	Member of AICD.
Experience and expertise	Kellie has over 20 years business management experience in the construction and facilities management sectors. Currently General Manager of a Management Consultancy firm and the Director and Co-Founder of Fola Muinin Pty Ltd which has operations in commercial construction, training and education. Experience working with business and community groups including the Hills and District Chamber of Commerce.

Directors' report (Continued)

Directors (continued)

Terence Hogan (Terry)

Position	Non-Executive Director
Experience and expertise	Currently Adjunct Professor in the School of Government and International Relations and former Principal Policy Adviser to the Vice Chancellor of Griffith University. Former Director General, Chief Executive and senior management positions in Local, State and Commonwealth Government agencies. Chair of the Steering Committee that established Samford Community Bank Branch of Bendigo Bank and chaired the Pine Rivers Community Finance Limited's Finance and Audit Committee. Has wide experience in community organisations (e.g. President Samford Show Society) and is a former member of the Sustainability Advisory Panel for the 2018 Commonwealth Games.

Ruth Lennon

Position	Non-Executive Director (Board member since May 2019)
Professional qualifications	Masters of Applied Taxation, Graduate Diploma in Accounting, Bachelor of Business, Member of Institute of Chartered Accountants Australia.
Experience and expertise	Ruth is a Chartered Accountant and Registered Tax Agent who has over 16 years accounting and taxation experience. Former Director and Treasurer of QLD Artworks Alliance Inc. Principal and owner of professional services firms Malcolm V. Leeke & Co. and Remote Tax.

Melinda Fleming

Position	Non-Executive Director (Retired from Board November 2018)
Professional qualifications	Diploma Applied Science, Diploma Community Services Management and Fellow, Institute of Managers and Leaders (FIML).
Experience and expertise	Mel is an experienced community sector leader with 19 years in NFP organisations, the last 10 of those in executive roles. Her experience includes 15 years growing and leading a Moreton Bay region community organisation, as well as time in the Northern Territory as General Manager of a national children's charity. Mel is currently General Manager of a North Brisbane disability service. Her expertise covers change management, workforce culture, strategic planning and organisational sustainability. Mel has lived in the Pine Rivers area for 25 years and is passionate about the needs of local communities, and about ways in which collaborative partnerships can develop solutions and responses to those needs.

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board Meetings		Marketing Committee Meetings		Finance and Audit Committee Meetings	
	A	B	A	B	A	B
Robert Millar	11	10	N/A	N/A	N/A	N/A
Gail Brown	11	9	10	8	10	8
Paul Outen	11	10	6	3	10	8
Kenneth Armstrong	11	8	N/A	N/A	10	10
Abigail Senior	11	9	N/A	N/A	10	7
Carolyn Grant	11	10	10	10	N/A	N/A
Kellie Pamic	11	9	10	10	N/A	N/A
Melinda Fleming	4	3	4	2	N/A	N/A
Terence Hogan	11	9	N/A	N/A	10	7
Ruth Lennon	1	1	N/A	N/A	2	2

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

Company Secretary

Gail Brown has been the Company Secretary of Pine Rivers Community Finance Limited since 2015.

Gail is a trained and accredited mediator. Over 25 years experience in the banking industry; 20 years with Uni Credit Union with roles and responsibilities ranging from Teller to Branch Manager. A merger with Bankmecu in 2008 provided opportunities within a larger organisation and Gail took up the role of Queensland Personal Banking Service Manager. Gail retired from this position in 2013.

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 $26,859 (2018 profit: $50,071), which is a 46.4% decrease as compared with the previous year. This decrease is primarily driven by the first time recognition of deferred taxes in accordance with AASB 112, resulting in a once off increase to income tax expense. Refer to note 4 for further information. The profit before income tax increased by 15% from the prior year due to increased footings leading to increased profit share income.

Dividends

An unfranked final dividend of 2.5 cents per share was declared in June 2018 and paid during the 2019 financial year. An unfranked final dividend of 3.5 cents per share was declared in June 2019 for the 2019 financial year, payable September 2019.

Directors' report (Continued)

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

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 six 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 Samford on 30 October 2019.

Paul Outen
Acting Chairman

Auditor’s Independence Declaration

rsd Audit

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Bendigo, Victoria
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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors Pine Rivers Community Finance 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 of the *Corporations Act 2001* in relation to the audit; and

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

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 31 October 2019

Financial statements

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

	Note	2019 $	2018 $
Revenue	2	1,423,439	1,348,990
Expenses			
Employee benefits expense	3	(735,251)	(711,515)
Depreciation and amortisation	3	(82,177)	(82,682)
Finance costs	3	-	(133)
Bad and doubtful debts expense	3	(1,042)	(1,569)
Administration and general costs		(165,034)	(170,825)
Occupancy expenses		(172,390)	(197,761)
IT expenses		(54,240)	(52,755)
		(1,210,134)	**(1,217,240)**
Operating profit before charitable donations & sponsorship		**213,305**	**131,750**
Charitable donations and sponsorships		(139,298)	(67,556)
Profit before income tax		**74,007**	**64,194**
Income tax benefit	4	(47,148)	(14,123)
Profit for the year after income tax		**26,859**	**50,071**
Other comprehensive income		-	-
Total comprehensive income for the year		**26,859**	**50,071**
Profit attributable to members of the company		26,859	50,071
Total comprehensive income attributable to members of the company		**26,859**	**50,071**
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	2.44	4.54

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

Statement of Financial Position
for the year ended 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	480,279	314,335
Trade and other receivables	6	133,129	131,502
Financial assets	7	399,877	391,610
Total current assets		**1,013,285**	**837,447**
Non-current assets			
Property, plant and equipment	9	100,522	163,322
Intangible assets	10	7,801	26,882
Total non-current assets		**108,323**	**190,204**
Total assets		**1,121,608**	**1,027,651**
Liabilities			
Current liabilities			
Trade and other payables	12	225,167	168,021
Current tax liability	4	22,104	5,839
Provisions	13	47,758	30,228
Total current liabilities		**295,029**	**204,088**
Non-current liabilities			
Deferred tax liability	4	14,727	-
Total non-current liabilities		**14,727**	**-**
Total liabilities		**309,756**	**204,088**
Net assets		**811,852**	**823,563**
Equity			
Issued capital	14	916,808	916,808
Accumulated losses	15	(104,956)	(93,245)
Total equity		**811,852**	**823,563**

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 $	Accumulated losses $	Total equity $
Balance at 1 July 2018		916,808	(93,245)	823,563
Comprehensive income for the year				
Profit for the year		-	26,859	26,859
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(38,570)	(38,570)
Balance at 30 June 2019		**916,808**	**(104,956)**	**811,852**
Balance at 1 July 2017		916,808	(115,766)	801,042
Comprehensive income for the year				
Profit for the year		-	50,071	50,071
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(27,550)	(27,550)
Balance at 30 June 2018		**916,808**	**(93,245)**	**823,563**

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

Statement of Cash Flows
for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,550,601	1,462,237
Payments to suppliers and employees		(1,351,895)	(1,313,322)
Interest paid		-	(133)
Interest received		11,319	9,952
Income tax paid		(14,478)	(18,442)
Net cash flows provided by operating activities	**18b**	**195,547**	**140,292**
Cash flows from investing activities			
Purchase of property, plant and equipment		(296)	(7,468)
Purchase of investments		(8,267)	(8,570)
Net cash flows used in investing activities		**(8,563)**	**(16,038)**
Cash flows from financing activities			
Dividends paid		(21,040)	(31,506)
Net cash flows used in financing activities		**(21,040)**	**(31,506)**
Net increase in cash held		**165,944**	**92,748**
Cash and cash equivalents at beginning of financial year		314,335	221,587
Cash and cash equivalents at end of financial year	**18a**	**480,279**	**314,335**

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

Notes to financial statements

For year ending 30 June 2019

These financial statements and notes represent those of Pine Rivers Community Finance Limited.

Pine Rivers Community Finance 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 30 October 2019.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

<u>Economic dependency</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branches at Samford and Brendale.

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

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

Note 1. Summary of significant accounting policies (continued)

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

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

(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:

Note 1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

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 involved 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.

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.

Note 1. Summary of significant accounting policies (continued)

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

AASB 9 Financial Instruments (Continued)

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

Based on our assessment, other than the reclassification of financial assets, 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.

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 $456,052. It is expected that upon adoption of this standard, the company will recognise a 'right-of-use' asset and associated lease liability for approximately this value. Operating lease expenses will be repalced with a depreciation and interest 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.

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies

Revenue

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

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

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:
a) when the entity has a right to receive the income and it can be reliably measured; or
b) upon receipt.

Financial Instruments

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

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

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

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

  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.

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Financial Instruments (continued)

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

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

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

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

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

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

- 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	131,502	131,502
Term deposits	Held to maturity	Amortised cost	391,610	391,610
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	168,021	168,021
Provisions	Amortised cost	Amortised cost	30,228	30,228

There has been no effect on the carrying values of financial assets or financial liabilities due to the adoption of this standard.

Note 2. Revenue

	Note	2019 $	2018 $
Revenue			
- service commissions		166,648	166,540
- profit share		1,244,855	1,172,176
		1,411,503	**1,338,716**
Other revenue			
- interest received		11,317	10,143
- other revenue		619	131
		11,936	**10,274**
Total revenue		**1,423,439**	**1,348,990**

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).

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, including interest rates.

Core Banking Products
Bendigo and Adelaide Bank Limited identify specific products and services as ‘core banking products’, however it also reserves the right to change the products and services identified as ‘core banking products’, providing 30 days notice is given. The core banking products, as at the end of the financial year included Deposits, Loans & Asset Finance.

Note 2. Revenue (continued)

Rendering of services (continued)

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 Adelaide 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.

Note 2. Revenue (continued)

Form and Amount of Financial Return (continued)

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

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

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

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

Note 3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	526,296	501,677
- superannuation costs	54,561	53,966
- other costs	154,394	155,872
	735,251	**711,515**
Depreciation and amortisation		
Depreciation		
- leasehold improvements	43,662	43,709
- plant and equipment	11,999	11,717
- furniture and fittings	4,609	4,989
- relocation costs	1,782	1,794
- motor vehicle	1,044	1,392
	63,096	**63,601**
Amortisation		
- franchise fees	19,081	19,081
Total depreciation and amortisation	**82,177**	**82,682**
Finance costs		
- Interest paid	-	133
Bad and doubtful debts expenses	1,042	1,569
Loss on disposal of property, plant and equipment	-	172
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,440	5,450

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

The depreciable amount of all fixed and intangible assets are 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 3. Expenses (continued)

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

Class of asset	Rate	Method
Leasehold improvements	2.5 - 20%	Straight line
Plant and equipment	5 - 40%	Straight line / Diminishing value
Motor vehicles	25%	Diminishing value
Franchise fees	20%	Straight line

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

Note 4. Income tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	32,421	14,123
Deferred tax expense	14,727	-
	47,148	**14,123**
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%)	20,352	17,653
Add tax effect of:		
- First time recognition of deferred taxes	26,796	-
- Deductible Expenses	-	(10,233)
- Non-deductible expenses	-	6,703
Income tax attributable to the entity	**47,148**	**14,123**
The applicable weighted average effective tax rate is:	63.71%	22.00%

Note 4. Income tax (continued)

	2019 $	2018 $
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	5,839	(1,520)
Income tax paid	(14,478)	(18,442)
Current tax	32,421	14,123
Under / (over) provision prior years	(1,678)	11,678
	22,104	**5,839**
d. Deferred tax liability		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accurals	1,513	-
	1,513	-
Deferred tax liabilities comprise:		
Property, plant & equipment	16,240	-
	16,240	-
Net deferred tax liability	**(14,727)**	-
e. Deferred income tax included in income tax expenses comprises:		
Decrease / (increase) in deferred tax assets	(314)	-
Decrease / (increase) in deferred tax liabilities	(11,755)	-
First time recognition of deferred taxes	26,796	-
	14,727	-

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.

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. During the 2019 financial year, it was determined the entity will begin to recognise deferred taxes as the directors are satisfied this condition has been met.

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.

Note 5. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and on hand	335,255	172,176
Short-term bank deposits	145,024	142,159
	480,279	**314,335**

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.

The effective interest rate on the short-term bank deposit was 2% (2018: 2%); this deposit has a maturity of 3 months.

Note 6. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	129,504	127,875
Other receivables	3,625	3,627
	133,129	**131,502**

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.

Note 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	129,504	129,504	-	-	-	-
Other receivables	3,625	3,625	-	-	-	-
Total	**133,129**	**133,129**	-	-	-	-
2018						
Trade receivables	127,875	127,875	-	-	-	-
Other receivables	3,627	3,627	-	-	-	-
Total	**131,502**	**131,502**	-	-	-	-

Note 7. Financial assets

	2019 $	2018 $
Amortised cost		
Term deposits	399,877	391,610
	399,877	**391,610**

The effective interest rate on the bank deposit was 2.05% (2018: 2.10%). This deposit has a term of 6 months, maturing on 7 August 2019.

(a) Classification of financial assets

The company classifies its financial assets at amortised cost.
- 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, allocating interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.. 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.

Note 7. Financial assets (continued)

(c) Impairment of financial assets

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

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

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

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

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

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

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

(d) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Note 9. Property, plant and equipment

	2019			2018		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
	$	$	$	$	$	$
Leasehold improvement	243,330	(221,125)	22,205	243,330	(177,463)	65,867
Plant and equipment	152,776	(108,726)	44,050	152,481	(96,728)	55,753
Furniture and fittings	142,402	(111,285)	31,117	142,402	(106,676)	35,726
Relocation costs	8,970	(8,952)	18	8,969	(7,169)	1,800
Motor vehicles	18,379	(15,247)	3132	18,379	(14,203)	4,176
Total property, plant and equipment	**565,857**	**(465,335)**	**100,522**	**565,561**	**(402,239)**	**163,322**

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).

Note 9. Property, plant and equipment (continued)

(b) Movements in carrying amounts of PP&E

2019	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
Leasehold improvements	65,867	-	-	(43,662)	22,205
Plant and equipment	55,753	296	-	(11,999)	44,050
Furniture and fittings	35,726	-	-	(4,609)	31,117
Relocation costs	1,800	-	-	(1,782)	18
Motor vehicles	4,176	-	-	(1,044)	3,132
Total property, plant and equipment	**163,322**	**296**	**-**	**(63,096)**	**100,522**

2018	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
Leasehold improvements	109,576	-	-	(43,709)	65,867
Plant and equipment	61,900	5,742	(172)	(11,717)	55,753
Furniture and fittings	38,988	1,727	-	(4,989)	35,726
Relocation costs	3,594			(1,794)	1,800
Motor vehicles	5,568	-	-	(1,392)	4,176
Total property, plant and equipment	**219,626**	**7,469**	**(172)**	**(63,601)**	**163,322**

Note 10. Intangible assets

	2019			2018		
	At cost $	Accumulated amortisation $	Written down value $	At cost $	Accumulated amortisation $	Written down value $
Franchise fees	95,406	(87,605)	7,801	95,406	(68,524)	26,882
Total intangible assets	**95,406**	**(87,605)**	**7,801**	**95,406**	**(68,524)**	**26,882**

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.

Note 10. Intangible assets (continued)

Movements in carrying amounts

2019	Opening written down value	Amortisation	Closing written down value
Franchise fees	26,882	(19,081)	7,801
Total intangible assets	**26,882**	**(19,081)**	**7,801**

2018	Opening written down value	Amortisation	Closing written down value
Franchise fees	45,963	(19,081)	26,882
Total intangible assets	**45,963**	**(19,081)**	**26,882**

Note 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 12. Trade and other payables

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	219,126	114,662
Other creditors and accruals	6,041	53,359
	225,167	**168,021**

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

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

Note 13. Provisions

	2019 $	2018 $
Current		
Dividends - Declared in June	38,570	27,550
Dividends - Prior year unpaid	9,188	2,678
Total provisions	**47,758**	**30,228**

(a) Movements in share capital

	2019 $	2018 $
Opening balance	30,228	34,184
Dividends paid	(21,040)	(31,506)
Dividends declared	38,570	27,550
Closing balance	**47,758**	**30,228**

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.

Note 14. Share capital

	2019 $	2018 $
1,102,010 Ordinary shares fully paid	960,308	960,308
Less: Equity raising costs	(43,500)	(43,500)
	916,808	**916,808**

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.

Note 15. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the reporting period	(93,245)	(115,766)
Profit for the year after income tax	26,859	50,071
Dividends declared	(38,570)	(27,550)
Balance at the end of the reporting period	**(104,956)**	**(93,245)**

Note 16. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
Dividends paid or provided for during the year		
A final unfranked ordinary dividend of 2.5 cents per share was paid September 2018. A final unfranked dividend for 2019 of 3.5 cents per share was declared in June 2019.	38,570	27,550

Note 17. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	2.44	4.54
Earnings used in calculating basic earnings per share	26,859	50,071
Weighted average number of ordinary shares used in calculating basic earnings per share.	1,102,008	1,102,008

Basic earnings per share

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

Note 18. 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)	480,279	314,335
As per the Statement of Cash Flow	**480,279**	**314,335**

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

	2019 $	2018 $
Profit for the year after income tax	26,859	50,071
Non-cash flows in profit		
- Depreciation and amortisation	82,177	82,682
- Net loss on disposal of property, plant & equipment	-	172
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(1,627)	(11,730)
- (increase) / decrease in prepayments and other assets	-	3,364
- Increase / (decrease) in deferred taxes	14,727	(10,391)
- Increase / (decrease) in trade and other payables	57,146	1,025
- Increase / (decrease) in current tax liability	16,265	25,099
Net cash flows from operating activities	**195,547**	**140,292**

Note 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.

No Director of the company receives remuneration for services as a Director or Committee Member

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

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

(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.

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 $
First Class Accounts - The Gap Related party of Director Paul Outen	For Bookkeeping and BAS Agent Services	12,000

(d) Key management personnel shareholdings

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

	Balance as at June 2019	Balance as at June 2018
Robert Millar	3,500	3,500
Abigail Senior	500	500
Terence Hogan	500	500
	4,500	**4,500**

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

(e) Other key management transactions

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

Note 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	97,211	55,521
Contributions	34,737	57,895
Grants Paid	-	(10,400)
Interest	2,302	1,890
GST	(3,158)	(5,063)
Management fees	(1,579)	(2,631)
Balance available for distribution in future periods	**129,514**	**97,211**

Note 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.

Note 22. Contingent liabilities and contingent assets

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

Note 23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two areas being Brendale and Samford, Queensland. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 99% of the revenue (2018: 99%).

Note 24. Commitments

Operating lease commitments

	2019 $	2017 $
Payable:		
- no later than 12 months	125,392	100,727
- between 12 months and five years	330,661	100,776
Minimum lease payments	**456,053**	**201,503**

'The two property leases are non-cancellable leases with varying terms (five years and two years) with rent payable monthly in advance. These leases do not have extension options.

Note 25. Company details

The registered office and principal place of business is:

Shop 4 Brendale 7 Day Shopping Centre ,
Kremzow Road, Brendale, Qld 4500

Note 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 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. 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 26. Financial instrument risk (continued)

	Notes	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	480,279	314,335
Trade and other receivables	6	133,129	131,502
Financial assets	7	399,877	391,610
Total financial assets		**1,013,285**	**837,447**
Financial liabilities			
Trade and other payables	12	225,167	168,021
Provisions	13	47,758	30,228
Total financial liabilities		**272,925**	**198,249**

(a) Credit risk

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

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

Credit risk exposures

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

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

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

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

(b) Liquidity risk

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

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

Note 26. Financial instrument risk (continued)

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	0.61%	480,279	480,279	-	-
Trade and other receivables		133,129	133,129	-	-
Financial assets	2.05%	399,877	399,877	-	-
Total anticipated inflows		**1,013,285**	**1,013,285**	**-**	**-**
Financial liabilities					
Trade and other payables		225,167	225,167	-	-
Provisions		47,758	47,758		
Total expected outflows		**272,925**	**272,925**	**-**	**-**
Net inflow / (outflow) on financial instruments		**740,360**	**740,360**	**-**	**-**

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.98%	314,335	314,335	-	-
Trade and other receivables		131,502	131,502	-	-
Financial assets	2.10%	391,610	391,610	-	-
Total anticipated inflows		**837,447**	**837,447**	**-**	**-**
Financial liabilities					
Trade and other payables		168,021	168,021	-	-
Provisions		30,228	30,228		
Total expected outflows		**198,249**	**198,249**	**-**	**-**
Net inflow / (outflow) on financial instruments		**639,198**	**639,198**	**-**	**-**

Note 26. Financial instrument risk (continued)

(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 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 fixed interest securities, and cash and cash equivalents.

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 +/- 0.5% 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.

Directors' declaration

In accordance with a resolution of the Directors of Pine Rivers Community Finance Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 44 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.

Paul Outen
Director

Signed at Samford on 31 October 2019.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PINE RIVERS COMMUNITY FINANCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Pine Rivers Community Finance 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 the financial report of Pine Rivers Community Finances 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

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
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Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

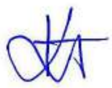
The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters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

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

Other Information

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

RSD Audit
Chartered Accountants



Kathie Teasdale
Partner
Bendigo
Dated: 31 October 2019

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