

# Annual Report 2018

Meander Valley Financial  
Services Limited

Deloraine & Districts  
**Community Bank®** Branch

ABN 27 111 858 078



# Contents

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<b>Chair's report</b>	<b>2</b>
<b>Manager's report</b>	<b>4</b>
<b>Directors' report</b>	<b>5</b>
<b>Auditor's independence declaration</b>	<b>11</b>
<b>Financial statements</b>	<b>12</b>
<b>Notes to the financial statements</b>	<b>16</b>
<b>Directors' declaration</b>	<b>36</b>
<b>Independent audit report</b>	<b>37</b>

# Chair's report

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For year ending 30 June 2018

The past 12 months has been a period of renewal and continued success for our Deloraine & Districts **Community Bank**<sup>®</sup> Branch and also our Board.

Nearing \$1.5 million we continue to grow the contributions returned to our community through dividends to shareholders, through numerous sponsorships and our annual grant round.

The **Community Bank**<sup>®</sup> model ethos has been wonderfully portrayed through Bendigo Bank's advertising campaign **Be the change**. Our **Community Bank**<sup>®</sup> branch was the only Tasmanian **Community Bank**<sup>®</sup> branch to be selected to participate, and being a strong farming area the advertisement has a strong rural focus. Local farmers Jody and Sussana Haberle feature in the video with Tahnee and Ben from Giant Steps, Dean Lalor from Rural Bank and many many community clubs and organisations.

It's a simple but true message, by doing your everyday banking at our **Community Bank**<sup>®</sup> branch, you contribute back to our community. The **Be the change** advertisement provided an opportunity to showcase a number of partnerships we have with clubs and organisations in our community. We have continued to support the Deloraine, Westbury and Chudleigh Shows, the Tasmanian Craft Fair, Winterfire, the Festival of Creative Aging, the Street Car Show, Tractor Pull, the Deloraine Football Club, junior and senior basketball clubs and many other worthy events, projects and organisations in Meander Valley.

We are proud to support the community driven project for centralised community, sport and recreation facilities in Deloraine. We partnered with the Meander Valley Council and the Tasmanian Government in funding a feasibility study and later this year we will see the construction of two outdoor netball courts, in what is effectively the first stage of the project. The **Community Bank**<sup>®</sup> branch have contributed \$30,000 towards the netball courts in a long-term partnership with the Deloraine Devils Netball Club. We remain committed to assisting this community gain the community infrastructure it needs.

Merlin Reeve-Palmer was awarded our tertiary scholarship and our annual grant rounds saw \$23,250 returned to the community for projects including tables, an upgrade of a community catering van and a rainwater tank for a local hall. 2018 will be the first calendar year that we hold a second grant round.

We farewelled Customer Service Officer, Kristy Clark and welcomed Katie Tangney to the team. Following a little over 10 years as our Branch Manager Darren Rumble chose to reduce his days and was appointed to a role of Senior Branch Manager. We were pleased to be able to appoint and promote Simon Rootes as our new Branch Manager and joining the team is Allison "Molly" Latham as the Customer Relationship Manager.

Darren's stewardship of the Deloraine & Districts **Community Bank**<sup>®</sup> Branch over the past 10 years has been significant. He has overseen significant growth in the business, facilitated community partnerships and has been a mentor to many.

We farewelled Frances Lincoln from the Board and following Lynn Hayward stepping down from the role of Chair, Lynn subsequently resigned from the Board. Lynn served in this role of Chairperson for 10 years and prior to this was the foundation Company Secretary. Lynn remains involved in the **Community Bank**<sup>®</sup> network and is a true champion of the **Community Bank**<sup>®</sup> model in Tasmania.

Foundation Director David Bounds has also recently stepped down from the Board, David oversaw the Business Development Committee and spent countless hours erecting signs, manning show stalls and talking about the **Community Bank**<sup>®</sup> model.

## Chair's report (continued)

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With change comes renewal and I am pleased to advise of the following appointments to the Board of Meander Valley Financial Services:

- We have welcomed new Directors Andrew Johnson and Carmen Cresswell, who both bring varied experience and significant community connections to the Board
- Lindy Norton has taken over the role of Company Secretary, having previously been the Treasurer
- Our new Treasurer is Barry Pearn
- We have appointed two Vice Chairs: Anne Harvey and Graham Dent
- And I was honoured to be appointed Chairman.

There is no doubt that banking is changing, that people's banking habits, needs and wants are different to what they were five years ago. While we are seeing some of this change in our branch our commitment to our community remains constant and the future of our **Community Bank**<sup>®</sup> branch and Meander Valley Financial Services Limited continues to be bright.

I thank our loyal and diligent staff, the Board, our shareholders and our customers for their continued support.



**Laura Richardson**  
**Chair**

# Manager's report

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For year ending 30 June 2018

It has been an exciting 12 months for our Deloraine & Districts **Community Bank**<sup>®</sup> Branch. In our 13th year of trading we have seen continued growth of the business and strong support of our local community in the form of sponsorship of local events, scholarships and return on investment to our shareholders.

Bendigo Bank was named the top non-major business bank for 2017 in the RFI group's annual awards, recognising our outstanding products and service offerings to business clients.

In July 2018 Bendigo Bank was also rated in the top three brands most trusted by consumers by Roy Morgan research and number one in Mozo's people's choice awards. This continues to show that Bendigo Bank is well positioned for the future and is viewed in a positive way by the public and other financial professionals.

As a **Community Bank**<sup>®</sup> branch we have been able to continue our growth against budget and ended the financial year in a positive and strong position – highlighted by the fact we have been able to run a second grant round for the year and are able to support more local organisations than ever before.

In the branch we have seen some changes and I am extremely pleased and very proud to be able to write this report as the new Branch Manager. We are pleased to have Allison "Mollie" Latham join us as the Customer Relationship Manager. Allison has seven years' experience in the Launceston branch and is taking on the challenge of the new role very well.

Kristy Clark left the branch to take up a role in social work which had been a long-term dream of hers. Her role was filled by local Deloraine resident Katie Tangney who has slotted in to our team seamlessly.

I would like to take this opportunity to thank Darren Rumble for his 10 years of service to the Deloraine & Districts **Community Bank**<sup>®</sup> Branch. He has left us in a very positive position and has successfully lead our branch into being one of the strongest community branches in the state.

I am personally looking forward to the next 12 months and being able to lead the branch team in the ever-changing financial environment. I am confident that we will continue strong growth of the business and we will reach the milestone of \$1.5 million re-invested into the Meander Valley community.

I would like to thank the staff, Board, shareholders and all customers for the support I have received in my new position and I look forward to making our community successful together.



**Simon Rootes**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2018

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

## Directors

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

### **Laura Jane Richardson**

Chair

Occupation: Senior Adviser (Office of Sarah Courtney MP)

Qualifications, experience and expertise: Extensive organisational, secretarial, political and administrative experience. Former President and current Board member of the Rural Youth Organisation of Tasmania, Member of the Deloraine & District Recreation Precinct Working Group, Life Member of the Deloraine Amateur Basketball Association.

Special responsibilities: Chairman, Marketing

Interest in shares: 751

### **Graham Stephen Dent**

Director

Occupation: Farmer

Qualifications, experience and expertise: Graham has been operating a small business which includes retail and processing for 50 years. Rural Fire Brigade captain for 12 years, permit officer for 25 years. He is part of many community committees and farming committee. He is the past Chairman of Tasmanian Feeds Ltd.

Special responsibilities: Deputy Vice Chair, Business Development Committee, Farmer's night organiser.

Interest in shares: 21,335

### **Melinda Kay Norton**

Secretary

Occupation: Electorate Officer

Qualifications, experience and expertise: Melinda is the Secretary of MVFSL and Treasurer of Weegenah Hall Committee. She has a background in administration, customer services, hospitality and is a volunteer fire fighter.

Special responsibilities: Secretary and Governance committee

Interest in shares: 500

### **Anne Margaret Harvey**

Director

Occupation: Teacher

Qualifications, experience and expertise: Current Dairy Farmer/ Agistment Business. Diploma of Teaching and Bachelor of Education. Current life member of Deloraine Community band. Life member of Deloraine Primary School Association.

Special responsibilities: Business Development Committee

Interest in shares: 1,000

# Directors' report (continued)

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## Directors (continued)

### David Anthony Bounds

Director (Resigned 28 June 2018)

Occupation: Self Employed/Biotech

Qualifications, experience and expertise: Life member of Apex, Farming for over 35 years presently microbiac formulations.

Special responsibilities: Business Development Committee

Interest in shares: 10,001

### David Frank Cameron

Director

Occupation: Farmer

Qualifications, experience and expertise: Ex Butcher for 26 years, which he owned for 11 years. 10 years at Rotary Deloraine & served as president, Played football, Badminton & Basketball. Member Deloraine Pony Club.

Special responsibilities: Nil

Interest in shares: 2,000

### Barry Gordon Pearn

Director

Occupation: Semi Retired/ IT consultant

Qualifications, experience and expertise: Barry has completed a Bachelor of Business (Accounting), Graduate Diploma of Applied Computing and a Masters of Computing. He has worked in a number of industries such as earthmoving and land clearing, managing onsite contracting at Woodchip Mill, earthmoving and farm drainage, civil contract administration, IT consulting. He is also a member of the Rotary club of Westbury, Whitemore fire brigade and was a civil contractor federation member as a councilor and treasurer.

Special responsibilities: Treasurer

Interest in shares: Nil

### Andrew Raymond Johnston

Director (Appointed 28 June 2018)

Occupation: Primary Producer

Qualifications, experience and expertise: Primary Producer managing a mixed farming enterprise at Exton, Member and Past President of the Rotary Club of Deloraine, Director of Wool Producers Australia, and Member of the Wool Council for Tasmanian Farmers & Graziers Association.

Special responsibilities: Nil

Interest in shares: 500

### Carmen Elizabeth Cresswell

Director (Appointed 28 June 2018)

Occupation: Farmer

Qualifications, experience and expertise: Studied at the University of Tasmania before returning to work on the family farm. Owner of a white suffolk sheep stud. Current vice-president of the Deloraine Show Society. Secretarial and administrative experience through past involvement with local sporting groups.

Special responsibilities: Nil

Interest in shares: Nil



# Directors' report (continued)

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## Directors (continued)

### Kay Frances Lincoln

Director (Resigned 22 December 2017)

Occupation: Music Teacher

Qualifications, experience and expertise: Kay has had administration experience with The University of Tasmania, Australian Maritime college, Tasmanian Music Industry Association, and the Tasmanian Art Council. Participates in voluntary work with Red Cross, Salvos, Official Visitors Scheme. Musical Activities and workshops with adults and children from Deloraine Devonport and Ulverstone. Kay has done diversional therapy work in aged care and has been involved in music festivals, the community band (past President and life member) leading the community choir.

Special responsibilities: Business Development Committee, Grant, Scholarship and School awards administration, MVFSL Board Minutes, Branch Artwork.

Interest in shares: 10,000

### Lynette Ann Hayward

Former Chair (Resigned 13 November 2017)

Occupation: P/T Consultant

Qualifications, experience and expertise: M.Ed. Grad Cert Bus (Regional Development). Former senior manager at Telstra, Director of Personal at the University of Adelaide. Currently employed as **Community Bank**<sup>®</sup> Mentor for Bendigo and Adelaide Bank. Deputy Chair and Vic Regional/TAS elected rep for the **Community Bank**<sup>®</sup> National Council. Chair and Public Officer for the Launceston Youth and Community Orchestra Ltd.

Special responsibilities: Chair of Business Development Committee, HR Committee, Governance and Audit Committee

Interest in shares: 3,001

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

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

## Company Secretary

There have been two company secretaries, Laura Richardson, and Melinda Norton during the current financial year.

Laura Richardson was appointed to the position of secretary on 30 June 2007. Laura has extensive secretarial, administrative and marketing experience. Member of the Chudleigh Agricultural & Horticultural Society, Foundation President of Deloraine Devils Netball Club. Past President of the Rural Youth Organisation of Tasmania.

Melinda was appointed to the position of secretary on 1 July 2017. Melinda is the Secretary of MVFSL and Treasurer of Weegen Hall Committee. She has a background in administration, customer services, hospitality and is a volunteer fire fighter.

## Principal Activities

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

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



# Directors' report (continued)

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## Operating results

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

Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
35,709	38,481

## Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	5.5	35,750

## Significant changes in the state of affairs

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

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## Indemnification and insurance of directors and officers

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

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

# Directors' report (continued)

## Directors' meetings

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

	Board Meetings Attended		Business Development	
	Eligible	Attended	Eligible	Attended
Laura Jane Richardson	11	10	-	-
Graham Stephen Dent	11	8	8	4
Melinda Kay Norton	11	10	-	-
Anne Margaret Harvey	11	9	8	8
David Anthony Bounds	11	10	8	8
David Frank Cameron	11	7	8	7
Barry Gordon Pearn	11	9	-	-
Andrew Raymon Johnston (Appointed 28 June 2018)	-	-	-	-
Carmen Elizabeth Cresswell (Appointed 28 June 2018)	-	-	-	-
Kay Frances Lincoln (Resigned 22 December 2017)	5	5	5	4
Lynette Ann Hayward (Resigned 13 November 2017)	3	1	3	-

## Proceedings on behalf of the company

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

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

## Non audit services

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

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

## Directors' report (continued)

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### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the board of directors at Deloraine, Tasmania on 30 August 2018.

A handwritten signature in black ink, appearing to read 'Laura Jane Richardson', with a small mark at the end.

**Laura Jane Richardson,  
Chairman**

# Auditor's independence declaration

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Chartered Accountants

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

## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Meander Valley Financial Services Limited

As lead auditor for the audit of Meander Valley Financial Services Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 30 August 2018

A handwritten signature in black ink, appearing to read 'David Hutchings'.

**David Hutchings**  
Lead Auditor

# Financial statements

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## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	856,905	788,516
Employee benefits expense		(340,670)	(343,476)
Charitable donations and sponsorship		(256,738)	(172,439)
Occupancy and associated costs		(63,390)	(64,342)
Systems costs		(18,408)	(18,240)
Depreciation and amortisation expense	5	(25,256)	(24,434)
General administration expenses		(103,189)	(112,507)
<b>Profit before income tax expense</b>		<b>49,254</b>	<b>53,078</b>
Income tax expense	6	(13,545)	(14,597)
<b>Profit after income tax expense</b>		<b>35,709</b>	<b>38,481</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>35,709</b>	<b>38,481</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	21	5.49	5.92

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	331,553	282,800
Trade and other receivables	8	54,660	46,007
<b>Total current assets</b>		<b>386,213</b>	<b>328,807</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	132,435	142,592
Intangible assets	10	27,223	40,834
<b>Total non-current assets</b>		<b>159,658</b>	<b>183,426</b>
<b>Total assets</b>		<b>545,871</b>	<b>512,233</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	167,845	120,861
Current tax liabilities	11	40	15,976
<b>Total current liabilities</b>		<b>167,885</b>	<b>136,837</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	11	9,329	6,698
<b>Total non-current liabilities</b>		<b>9,329</b>	<b>6,698</b>
<b>Total liabilities</b>		<b>177,214</b>	<b>143,535</b>
<b>Net assets</b>		<b>368,657</b>	<b>368,698</b>
<b>EQUITY</b>			
Issued capital	13	618,894	618,894
Accumulated losses	14	(250,237)	(250,196)
<b>Total equity</b>		<b>368,657</b>	<b>368,698</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2018

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		618,894	(243,177)	375,717
Total comprehensive income for the year		-	38,481	38,481
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	19	-	(45,500)	(45,500)
<b>Balance at 30 June 2017</b>		<b>618,894</b>	<b>(250,196)</b>	<b>368,698</b>
Balance at 1 July 2017		618,894	(250,196)	368,698
Total comprehensive income for the year		-	35,709	35,709
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	19	-	(35,750)	(35,750)
<b>Balance at 30 June 2018</b>		<b>618,894</b>	<b>(250,237)</b>	<b>368,657</b>

The accompanying notes form part of these financial statements.



## Financial statements (continued)

### Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		974,975	861,555
Payments to suppliers and employees		(865,206)	(698,783)
Interest received		3,071	2,522
Income taxes paid		(26,850)	(5,382)
<b>Net cash provided by operating activities</b>	<b>15</b>	<b>85,990</b>	<b>159,912</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,487)	(14,364)
<b>Net cash used in investing activities</b>		<b>(1,487)</b>	<b>(14,364)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	19	(35,750)	(45,500)
<b>Net cash used in financing activities</b>		<b>(35,750)</b>	<b>(45,500)</b>
<b>Net increase in cash held</b>		<b>48,753</b>	<b>100,048</b>
Cash and cash equivalents at the beginning of the financial year		282,800	182,752
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>331,553</b>	<b>282,800</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2018

## Note 1. Summary of significant accounting policies

### **a) Basis of preparation**

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

#### Compliance with IFRS

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

#### Critical accounting estimates

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

#### Historical cost convention

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

#### Comparative figures

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

#### Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

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

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### a) Basis of preparation (continued)

#### Application of new and amended accounting standards (continued)

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease/s of its branch/es. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$64,586, on an undiscounted basis (see Note 16).

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

#### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Deloraine, Tasmania.

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

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

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

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

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

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

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

#### Revenue calculation

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

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

#### Core banking products

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

#### Margin

Margin is arrived at through the following calculation:

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

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

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

#### Commission

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

#### Fee income

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

#### Discretionary financial contributions

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **b) Revenue (continued)**

#### Discretionary financial contributions (continued)

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

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

#### Ability to change financial return

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

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

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

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

#### Monitoring and changing financial return

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

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

### **c) Income tax**

#### Current tax

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

#### Deferred tax

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **c) Income tax (continued)**

#### Deferred tax (continued)

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

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

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

#### Current and deferred tax for the period

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

### **d) Employee entitlements**

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

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

### **e) Cash and cash equivalents**

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

### **f) Trade receivables and payables**

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

### **g) Property, plant and equipment**

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

# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **g) Property, plant and equipment (continued)**

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

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

- leasehold improvements                      5 - 15 years
- plant and equipment                          2.5 - 40 years

### **h) Intangibles**

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

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

### **i) Payment terms**

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

### **j) Borrowings**

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

### **k) Financial instruments**

#### Recognition and initial measurement

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

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### Classification and subsequent measurement

##### **(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

##### **(ii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.



# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **k) Financial instruments (continued)**

#### Classification and subsequent measurement (continued)

##### (iii) Financial liabilities

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

#### Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

### **l) Leases**

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

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

### **m) Provisions**

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

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

### **n) Issued capital**

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

### **o) Earnings per share**

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

### **p) Goods and Services Tax**

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

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

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

# Notes to the financial statements (continued)

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## Note 2. Financial risk management

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

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

### (i) Market risk

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

### (ii) Price risk

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

The company is not exposed to commodity price risk.

### (iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

### (iv) Liquidity risk

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

### (v) Cash flow and fair value interest rate risk

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

### (vi) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

# Notes to the financial statements (continued)

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## Note 3. Critical accounting estimates and judgements

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

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

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

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

### Taxation

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

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

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

### Estimation of useful lives of assets

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

### Impairment of assets

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

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

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

# Notes to the financial statements (continued)

## Note 3. Critical accounting estimates and judgements (continued)

### Impairment of assets (continued)

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

	2018 \$	2017 \$
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## Note 4. Revenue from ordinary activities

### Operating activities:

- gross margin	632,895	550,914
- services commissions	121,708	138,058
- fee income	60,891	60,390
- market development fund	25,000	25,000
<b>Total revenue from operating activities</b>	<b>840,494</b>	<b>774,362</b>

### Non-operating activities:

- interest received	3,071	2,522
- rental revenue	13,340	11,632
<b>Total revenue from non-operating activities</b>	<b>16,411</b>	<b>14,154</b>
<b>Total revenues from ordinary activities</b>	<b>856,905</b>	<b>788,516</b>

## Note 5. Expenses

### Depreciation of non-current assets:

- plant and equipment	5,551	4,731
- leasehold improvements	6,093	6,092

### Amortisation of non-current assets:

- franchise agreement	2,270	2,269
- franchise renewal fee	11,342	11,342
	<b>25,256</b>	<b>24,434</b>
<b>Bad debts</b>	<b>195</b>	<b>85</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
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### Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	10,915	10,459
- Movement in deferred tax	2,630	4,138
	<b>13,545</b>	<b>14,597</b>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	49,254	53,078
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	13,545	14,596
Add tax effect of:		
- other non-deductable expenses	-	288
- timing difference expenses	(2,630)	(4,425)
	<b>10,915</b>	<b>10,459</b>
Movement in deferred tax	2,630	4,138
	<b>13,545</b>	<b>14,597</b>

### Note 7. Cash and cash equivalents

Cash at bank and on hand	211,381	89,048
Term deposits	120,172	193,752
	<b>331,553</b>	<b>282,800</b>

#### Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand	211,381	89,048
Term deposits	120,172	193,752
	<b>331,553</b>	<b>282,800</b>

### Note 8. Trade and other receivables

Trade receivables	41,220	35,036
Prepayments	6,407	6,444
Other receivables and accruals	7,033	4,527
	<b>54,660</b>	<b>46,007</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 9. Property, plant and equipment</b>		
Leasehold improvements		
At cost	200,705	200,705
Less accumulated depreciation	(88,391)	(82,298)
	<b>112,314</b>	<b>118,407</b>
Plant and equipment		
At cost	86,193	84,706
Less accumulated depreciation	(66,072)	(60,521)
	<b>20,121</b>	<b>24,185</b>
<b>Total written down amount</b>	<b>132,435</b>	<b>142,592</b>
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	118,407	124,500
Additions	-	-
Disposals	-	-
Less: depreciation expense	(6,093)	(6,093)
<b>Carrying amount at end</b>	<b>112,314</b>	<b>118,407</b>
Plant and equipment		
Carrying amount at beginning	24,185	14,551
Additions	1,487	14,364
Disposals	-	-
Less: depreciation expense	(5,551)	(4,730)
<b>Carrying amount at end</b>	<b>20,121</b>	<b>24,185</b>
<b>Total written down amount</b>	<b>132,435</b>	<b>142,592</b>

## Note 10. Intangible assets

Franchise fee		
At cost	82,914	82,913
Less: accumulated amortisation	(78,377)	(76,107)
	<b>4,537</b>	<b>6,806</b>
Franchise renewal fee		
At cost	114,566	114,566
Less: accumulated amortisation	(91,880)	(80,538)
	<b>22,686</b>	<b>34,028</b>
<b>Total written down amount</b>	<b>27,223</b>	<b>40,834</b>

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 11. Tax</b>		
<b>Current:</b>		
<b>Income tax payable</b>	<b>40</b>	<b>15,976</b>
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	743	743
	<b>743</b>	<b>743</b>
Deferred tax liability		
- property, plant and equipment	10,072	7,441
	<b>10,072</b>	<b>7,441</b>
<b>Net deferred tax liability</b>	<b>(9,329)</b>	<b>(6,698)</b>
<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>2,631</b>	<b>4,138</b>

## Note 12. Trade and other payables

Trade creditors	152,645	109,240
Other creditors and accruals	15,200	11,621
	<b>167,845</b>	<b>120,861</b>

## Note 13. Issued capital

650,000 ordinary shares fully paid (2017: 650,000)	650,000	650,000
Less: equity raising expenses	(31,106)	(31,106)
	<b>618,894</b>	<b>618,894</b>

### Rights attached to shares

#### (a) Voting rights

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

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held.

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

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



# Notes to the financial statements (continued)

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## Note 13. Issued capital (continued)

### **Rights attached to shares (continued)**

#### (b) Dividends

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

#### (c) Transfer

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

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

### **Prohibited shareholding interest**

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 316. As at the date of this report, the company had 339 shareholders.

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

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

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

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 14. Accumulated losses</b>		
Balance at the beginning of the financial year	(250,196)	(243,177)
Net profit from ordinary activities after income tax	35,709	38,481
Dividends provided for or paid	(35,750)	(45,500)
<b>Balance at the end of the financial year</b>	<b>(250,237)</b>	<b>(250,196)</b>

## Note 15. Statement of cash flows

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

Profit from ordinary activities after income tax	35,709	38,481
Non cash items:		
- depreciation	11,644	10,823
- amortisation	13,612	13,611
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(8,653)	(4,628)
- increase/(decrease) in payables	46,983	92,410
- increase/(decrease) in current tax liabilities	(13,305)	9,215
<b>Net cash flows provided by operating activities</b>	<b>85,990</b>	<b>159,912</b>

## Note 16. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	32,293	31,275
- between 12 months and 5 years	32,293	62,550
	<b>64,586</b>	<b>93,825</b>

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease began on 1 June 2015.

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 17. Auditor's remuneration</b>		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	5,300
- share registry services	4,266	4,282
- non audit services	1,800	1,963
	<b>10,466</b>	<b>11,545</b>

## Note 18. Director and related party disclosures

The names of directors who have held office during the financial year are:

Laura Jane Richardson  
Graham Stephen Dent  
Melinda Kay Norton  
Anne Margaret Harvey  
David Anthony Bounds  
David Frank Cameron  
Barry Gordon Pearn  
Andrew Raymon Johnston  
Carmen Elizabeth Cresswell  
Kay Frances Lincoln (Resigned 22 December 2017)  
Lynette Ann Hayward (Resigned 13 November 2017)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

<b>Directors' Shareholdings</b>	<b>2018</b>	<b>2017</b>
Laura Jane Richardson	751	751
Graham Stephen Dent	21,335	10,000
Melinda Kay Norton	500	500
Anne Margaret Harvey	1,000	1,000
David Anthony Bounds	10,001	10,001
David Frank Cameron	2,000	2,000
Barry Gordon Pearn	-	-
Andrew Raymon Johnston	500	-
Carmen Elizabeth Cresswell	-	3,001
Kay Frances Lincoln (Resigned 22 December 2017)	10,000	5,000
Lynette Ann Hayward (Resigned 13 November 2017)	3,001	3,001

There was no other movement in directors' shareholdings during the year.

## Notes to the financial statements (continued)

	2018 \$	2017 \$
<b>Note 19. Dividends provided for or paid</b>		
<b>a. Dividends paid during the year</b>		
Current year dividend		
<b>100% franked dividend (2017 Unfranked) - 5.5 cents (2017: 7 cents) per share</b>	<b>35,750</b>	<b>45,500</b>
<b>b. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	20,838	6,037
- franking credits that will arise from payment of income tax as at the end of the financial year	3,112	15,976
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>23,950</b>	<b>22,013</b>
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
<b>Net franking credits available</b>	<b>23,950</b>	<b>22,013</b>

## Note 20. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Laura Jane Richardson	2,000	7,000
Graham Stephen Dent	-	-
Melinda Kay Norton	6,000	-
Anne Margaret Harvey	-	-
David Anthony Bounds	-	-
David Frank Cameron	-	-
Barry Gordon Pearn	-	-
Andrew Raymon Johnston	-	-
Carmen Elizabeth Cresswell	-	-
Kay Frances Lincoln (Resigned 22 December 2017)	-	-
Lynette Ann Hayward (Resigned 13 November 2017)	-	-
	<b>8,000</b>	<b>7,000</b>

# Notes to the financial statements (continued)

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## Note 20. Key management personnel disclosures (continued)

### **Community Bank®** Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Deloraine, Tasmania. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$511 for the year ended 30 June 2018 (2017: \$nil).

## Note 21. Earnings per share

	2018 \$	2017 \$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	35,709	38,481

  

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	650,000	650,000

## Note 22. Events occurring after the reporting date

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

## Note 23. Contingent liabilities and contingent assets

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

## Note 24. Segment reporting

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

## Note 25. Registered office/Principal place of business

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

### **Registered Office**

49 Emu Bay Road  
Deloraine TAS 7304

### **Principal Place of Business**

49 Emu Bay Road  
Deloraine TAS 7304

# Notes to the financial statements (continued)

## Note 26. Financial instruments

### Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 %	2017 %
Financial assets												
Cash and cash equivalents	210,868	86,720	120,172	193,752	-	-	-	-	513	2,328	1.12	1.09
Receivables	-	-	-	-	-	-	-	-	41,220	31,364	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	152,645	109,240	N/A	N/A

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

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

### Sensitivity Analysis

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

## Notes to the financial statements (continued)

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### Note 26. Financial instruments (continued)

#### Sensitivity Analysis (continued)

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Change in profit/(loss)		
Increase in interest rate by 1%	3,310	2,805
Decrease in interest rate by 1%	(3,310)	(2,805)
Change in equity		
Increase in interest rate by 1%	3,310	2,805
Decrease in interest rate by 1%	(3,310)	(2,805)



# Directors' declaration

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In accordance with a resolution of the directors of Meander Valley Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



**Laura Jane Richardson,**  
**Chairman**

Signed on the 30th of August 2018.

# Independent audit report

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Chartered Accountants

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

## Independent auditor's report to the members of Meander Valley Financial Services Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Meander Valley Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

Meander Valley Financial Services Limited's (the company) financial report comprises the:

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

#### Basis for opinion

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

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

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

#### Other information

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

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# Independent audit report (continued)

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

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

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

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

## **Directors' responsibility for the financial report**

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

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

## **Auditor's responsibility for the audit of the financial report**

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

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 30 August 2018



**David Hutchings**  
Lead Auditor

Deloraine & Districts **Community Bank**<sup>®</sup> Branch  
49 Emu Bay Road, Deloraine TAS 7304  
Phone: 6362 4801 Fax: 6362 4803

Franchisee: Meander Valley Financial Services Limited  
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