

# Acacia Ridge Financial Services Limited

ABN 73 116 060 916

## 2018 Annual Report



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# Chairman's report

For year ending 30 June 2018

Welcome to the 13th Annual Report for the company for the financial year ending 30 June 2018.

Acacia Ridge **Community Bank**<sup>®</sup> Branch was established on 23 November 2005 following withdrawal of banking services at the Elizabeth St Shopping Centre. The **Community Bank**<sup>®</sup> branch continues to provide valuable banking and financial services to Acacia Ridge and surrounding areas.

Very successful events in which staff and Directors were involved included the Great South Run and the PCYC Inala multicultural youth day. A number of shareholders attended the AGM last year which was followed by light refreshments. We encourage more shareholders to attend if possible.

## Financial

The net profit after income tax for the year was \$51,269, an increase of over \$13,000 on the figure for the previous year. Revenue increased by 6.5%, partly as a result of the decision by the Directors to employ an additional staff member in July 2017. The result was achieved in spite of low interest rates with the consequent squeeze on margins. Directors in conjunction with the Manager and Bendigo and Adelaide Bank support staff are continuing to work on ways to further increase the size of the revenue and profits.

The result for the year was driven by our Branch Manager Mark Coxhead, who joined in September 2013. Mark was ably supported by Gavin, Sandy, Yuvi and more recently Jacqui. Our branch staff have developed strong relationships with customers and community groups and give of their own time to contribute to community events.

## Board of Directors

There has been one change to the Board of Directors during the year. Mark Ledwidge retired on 31 December 2017 after faithful service from the outset. Linda Beaumont continues as Company Secretary and Director and Amanda Harward remains as Treasurer and Director. Earle Johnston is the Chair of the Marketing and Sponsorship Committee and Vicki Maguire is the Chair of the Business Development Committee. All six Directors, including Jane Carlisle serve on various committees and attend community functions throughout the year.

Les Conroy and Kellie Griffiths are volunteer members of the Marketing & Sponsorship Committee and give valuable advice to the Committee.

## Dividends to shareholders

The Directors will be considering the payment of a dividend following receipt of audited accounts for the year. The amount of any dividend will depend on a number of factors including profitability and cash flow. Dividends paid in past years were 4 cents per share in 2009, 5 cents per share in 2010, 6 cents per share in 2011, 8 cents per share in 2012 and 8 cents per share fully franked in 2013 and 2014, followed by 6 cents per share fully franked in 2015 and 2016 then 6.5 cents in 2017. The cumulative dividends are 57.5 cents per share, or a total of \$307,330.

The company continues to have approximately 150 shareholders with a total shareholding of 534,487 shares.

## Capital management

Following a review in 2017, the Directors recommended to shareholders that a capital return of 20 cents per share be made. The 2017 AGM approved this action and payments were made to shareholders in December 2017. The company continues to hold sufficient cash reserves to meet known commitments with a buffer for contingencies.

# Chairman's report (continued)

## Community investment

Our **Community Bank**<sup>®</sup> company has played a key role in supporting our community, returning more than \$750,000 for use in our local community organisations (and some further afield) since our opening in 2005. We think this is an outstanding achievement for a single branch and is possible only because local people and businesses bank with us.

These community grants and sponsorships have made a significant difference to a number of organisations including St Thomas More College, Acacia Ridge YMCA, PCYC Inala, Robertson Gymnastics Club, Australian Futsal Association and local schools. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

We have been holding our Board meetings each month free of charge in the boardroom of Ice World Beaudesert Road, Acacia Ridge and we thank that organisation for use of facilities.

## Our partner

In 2015, the company negotiated a new five year Franchise Agreement with two options of five years with Bendigo and Adelaide Bank Limited to continue our relationship with the Bank.

Bendigo and Adelaide Bank Limited provides invaluable support to our company and we acknowledge the contribution of our Regional Manager Ms Michelle Johnston and Regional Community Manager Mr Peter Dirkx and other members of the team.

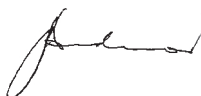
## The future

Our Manager Mark Coxhead continues to provide banking expertise to current and new customers and plays an important role in the community. Whilst the economic environment has been slow, Mark continues to meet the needs of customers with a comprehensive range of products. The benefit of employing an additional staff person to give Mark more time to meet with customers and community organisations is bearing fruit.

The success of our **Community Bank**<sup>®</sup> branch relies on funds generated through your banking, so I urge you increase your support which will help bring big benefits to our community. We encourage you to refer family and friends to our staff to discuss their banking needs.

I encourage all our shareholders to attend the Annual General Meeting on Thursday 22 November 2018. You will be able to meet and chat with your Directors and branch staff.

I wish to thank my fellow Directors for their expertise and dedication over the year. Thanks are also extended to our administration assistant Maris Dirkx, our staff and customers for their continuing support.



**Peter Henderson**  
Chairman



# Manager's report

For year ending 30 June 2018

It is with great pleasure that I present to you the Manager's report for the 2017/18 year.

It has been a year that has presented many opportunities and challenges in what is a very competitive market, and we should all be proud of the achievements made throughout the year.

During the past year we achieved a number of great outcomes including:

- We returned and set aside more than \$79,000 in profits for use in the local community.
- Participated in numerous local community events and projects to help our community continue to grow and prosper. It is through our involvement with these events that lifts our profile within the community and highlights the fantastic achievements that we as a **Community Bank**<sup>®</sup> branch have made in the Acacia Ridge area.
- We continued to build stronger, deeper relationships with our customers by having relevant and meaningful conversations about how we can help our customers achieve their financial goals and aspirations.

A snapshot of our business as at 30 June 2018:

- 2,326 customers
- 1.799 products per customer
- \$108.3 million in total business.

With the support and efforts of our shareholders, Directors and staff we continue to make a real difference to both our customers and the local Acacia Ridge community.

I would also like to take this opportunity to thank the efforts of all our staff, including Gavin Daw, Sandy Ernst, Yuvi Yuvika, Michelle Johnston and Simon Rawstron.

Without their ongoing hard work, dedication and support, the branch would not have been able to achieve the successes of the past year.

At the close of this financial year Jacqui Graham-Weir joined our team as our part time Customer Service Officer. I would like to take this opportunity to welcome Jacqui into our branch team.

I would also like to thank you, the shareholders, who have continued to show support and commitment to the Acacia Ridge **Community Bank**<sup>®</sup> Branch.

In addition, I would like to make special mention and thanks to our volunteer Directors – Chairman Peter Henderson and his team, who spend countless hours being advocates of your **Community Bank**<sup>®</sup> branch.

Without their unwavering support and effort of your **Community Bank**<sup>®</sup> branch, we would not have been able to achieve the great successes and results that we have since we commenced on 23 November 2005.

## The year ahead

The year ahead will certainly present many opportunities for us to continue to build and grow our business in the local Acacia Ridge community and surrounding suburbs, and promote the great work that we do in helping our community become an even better place to live, work and play.

My goal as always, is to continue to lead and develop my team to help us grow our business, create stronger and deeper relationships with our customers and our local community by having meaningful and relevant conversations as to how we can help our customers achieve their financial goals and aspirations.

## Manager's report *(continued)*

I encourage you all, including your family and friends, to call in and have a talk with our team so that we may assist you with all your financial needs.

By helping our customers grow, we in turn also grow, which enables us to further help our local Acacia Ridge community to prosper and thrive.

I am committed to working closely with you all over the next year and beyond to help achieve these outcomes, and I look forward to the challenges and successes that are ahead of us.

Once again, my appreciation and thanks to you all for your continued dedication and support over the past 12 months.



**Mark Coxhead**  
**Branch Manager**

# Bendigo and Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank**<sup>®</sup> branch opened. And it has only been a few months since the latest, the 321st, **Community Bank**<sup>®</sup> branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank**<sup>®</sup> branch to the most recent one, and the 319 in between.

This year, five of our **Community Bank**<sup>®</sup> branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank**<sup>®</sup> branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank**<sup>®</sup> funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over \$200 million in **Community Bank**<sup>®</sup> contributions, all because of people banking with their local **Community Bank**<sup>®</sup> branch.

**Be the change** has further highlighted the power of the model. For others, customers are important. For our **Community Bank**<sup>®</sup> network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only 'community bank', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank**<sup>®</sup> company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank**<sup>®</sup> company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank**<sup>®</sup> branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank**<sup>®</sup> branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.



**Robert Musgrove**  
Bendigo and Adelaide Bank

# Directors' report

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:

### **Peter Geoffrey Henderson**

Chairman

Occupation: Company Director

Qualifications, experience and expertise: Involved in banking, finance and accounting since 1962. Involved in community organisations for over 50 years. Holds a Bachelor of Business degree, as well as Graduate Diplomas in Finance & Investment and Management. Fellow of CPA Australia and the Securities Institute, and a Member of the Australian Institute of Company Directors.

Special responsibilities: Marketing & Sponsorship Committee, Audit & Finance Committee, Business Development Committee.

Interest in shares: 30,001

### **Amanda Lee Harward**

Treasurer

Occupation: Chartered Accountant

Qualifications, experience and expertise: Amanda is a Chartered Accountant and Director of a local accountancy firm. She holds a Bachelor of Commerce/ Bachelor of Business (Management) from the University of Queensland. She is a registered tax agent with over 15 years' experience in assisting small business clients with their accounting, business and taxation needs.

Special responsibilities: Chair of Audit & Finance Committee.

Interest in shares: 10,000

### **Linda Anne Beaumont**

Secretary

Occupation: Pharmacist

Qualifications, experience and expertise: Linda has worked as a community pharmacist for 37 years. At present she is self-employed performing home medicine reviews and locum pharmacist jobs. She has a Bachelor of Pharmacy and a post-graduate certificate in Medication Management. Linda has been involved with softball for over 20 years as a player, coach and other club roles, she has returned to playing socially. Linda was the South Brisbane softball association treasurer in 1997-98 and has been involved with Acacia Ridge **Community Bank**® Branch since its inception and a director for over 11 years. Linda was the managing partner of the Elizabeth St Chemmart Pharmacy from 1999-2007.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: 7,501



# Directors' report (continued)

## Directors (continued)

### **Victoria Louise Maguire**

Director

Occupation: Company Director

Qualifications, experience and expertise: Involved in small businesses since 1982. Holds a MA in Psychology from University of Sydney. Chairman of Elizabeth Street Shopping Centre Body Corporate.

Special responsibilities: Business Development Committee.

Interest in shares: 50,001

### **Earle Alexander Johnston**

Director

Occupation: Development Manager

Qualifications, experience and expertise: Earle is a fundraising professional and has worked for The Salvation Army since July 2012. Previously, he was Fundraising Manager at 96.5 Family Radio (2 years) and a Senior Business Analyst at Telstra (12 years). Earle is President, QUT Alumni Board (elected as a member in 2012) and was appointed to QUT Council in March 2018. He was appointed to CHC Council (Christian Heritage College) in February 2017 for two years and is a member of the Fundraising sub-committee. He previously held directorships in media and education. He is a member of AICD, Fundraising Institute Australia (FIA), holds Certified Fundraising Executive (CFRE) international accreditation and his most recent qualification is Master of Business, Philanthropy & Non Profit Studies QUT.

Special responsibilities: Chairman, Marketing & Sponsorship Committee.

Interest in shares: 400

### **Jane Baxter Carlisle**

Director

Occupation: Consultant

Qualifications, experience and expertise: Jane has an Associate Diploma in Clinical Laboratory Techniques and a Grad Dip in Health Administration and Information Systems with extensive previous experience as a Senior Queensland Government officer responsible for delivering health service improvements. The experience involved engaging and partnering with health service providers, community groups; non-government organisations; advocacy groups to define and develop the service improvements. Extensive past and current experience in developing frameworks to support organisational governance including quality systems, policies, risk management, project management, data analysis and reporting.

Special responsibilities: Marketing and Sponsorship Committee, Audit & Finance Committee.

Interest in shares: 500

### **Mark Ledwidge**

Director (Resigned 31 December 2017)

Occupation: Optometrist

Qualifications, experience and expertise: Small business owner in the local area for over 30 years. Holds a Bachelor in Optometry from Queensland University of Technology and is President of the Rotary Club of Archerfield.

Special responsibilities: Chair of the Audit & Finance Committee.

Interest in shares: 10,001

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

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

# Directors' report (continued)

## Company Secretary

The company secretary is Linda Anne Beaumont. Linda was appointed to the position of secretary on 1 January 2014.

Linda has worked as a community pharmacist for over 30 years, 14 of those in Acacia Ridge. Holds a Bachelor in Pharmacy from the University of Queensland. Served as treasurer of South Brisbane Softball Association Ltd for 2 years. Also involved with other community organisations.

## Principal Activities

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

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

## Operating results

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

Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
51,269	37,644

## Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year:	6.5	34,742

## Significant changes in the state of affairs

At the 2017 Annual General Meeting, the company resolved an equal reduction of share capital of \$0.20 per share. The return of capital was completed in December 2017 which resulted in the company returning \$106,897 to its shareholders. This decreased the paid up capital from \$534,487 to \$427,590 as at 30 June 2018.

In the opinion of the directors there were no other 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' report (continued)

## 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 and 22 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' meetings

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

	Directors Meetings		Audit & Finance		Marketing & Sponsorship	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Peter Geoffrey Henderson	12	11	11	10	9	8
Amanda Lee Harward	12	12	11	11	-	-
Linda Anne Beaumont	12	12	-	-	9	9
Victoria Louise Maguire	12	10	-	-	-	-
Earle Alexander Johnston	12	10	-	-	9	9
Jane Baxter Carlisle	12	11	11	8	9	7
Mark Ledwidge*	6	6	5	4	-	-

\* - resigned 31 December 2017

## 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.

# Directors' report (continued)

## Non audit services (continued)

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

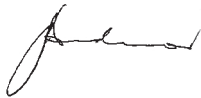
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the board of directors at Acacia Ridge, Queensland on 7 September 2018.



**Peter Geoffrey Henderson,**  
**Chairman**

# Auditor's independence declaration



Chartered Accountants

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

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

As lead auditor for the audit of Acacia Ridge 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: 7 September 2018

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

**David Hutchings**  
Lead Auditor



# Financial statements

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

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	737,951	692,446
Employee benefits expense		(380,702)	(318,015)
Charitable donations, sponsorship, advertising and promotion		(44,493)	(104,486)
Occupancy and associated costs		(86,260)	(88,574)
Systems costs		(18,666)	(16,376)
Depreciation and amortisation expense	5	(20,736)	(20,944)
Finance costs	5	(264)	(9)
General administration expenses		(116,132)	(92,119)
<b>Profit before income tax expense</b>		<b>70,698</b>	<b>51,923</b>
Income tax expense	6	(19,429)	(14,279)
<b>Profit after income tax expense</b>		<b>51,269</b>	<b>37,644</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>51,269</b>	<b>37,644</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	23	9.59	7.04

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	246,767	345,134
Trade and other receivables	8	33,538	34,034
<b>Total current assets</b>		<b>280,305</b>	<b>379,168</b>
<b>Non-current assets</b>			
Investments	9	15,696	-
Property, plant and equipment	10	70,766	67,246
Intangible assets	11	32,484	46,040
<b>Total non-current assets</b>		<b>118,946</b>	<b>113,286</b>
<b>Total assets</b>		<b>399,251</b>	<b>492,454</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	11,940	21,533
Current tax liabilities	12	6,487	1,140
<b>Total current liabilities</b>		<b>18,427</b>	<b>22,673</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	5,157	3,744
<b>Total non-current liabilities</b>		<b>5,157</b>	<b>3,744</b>
<b>Total liabilities</b>		<b>23,584</b>	<b>26,417</b>
<b>Net assets</b>		<b>375,667</b>	<b>466,037</b>
<b>EQUITY</b>			
Issued capital	14	405,476	512,373
Accumulated losses	15	(29,809)	(46,336)
<b>Total equity</b>		<b>375,667</b>	<b>466,037</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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		512,373	(51,911)	460,462
Total comprehensive income for the year		-	37,644	37,644
<b>Transactions with owners in their capacity as owners:</b>				
Return of capital	14	-	-	-
Dividends provided for or paid	21	-	(32,069)	(32,069)
<b>Balance at 30 June 2017</b>		<b>512,373</b>	<b>(46,336)</b>	<b>466,037</b>
Balance at 1 July 2017		512,373	(46,336)	466,037
Total comprehensive income for the year		-	51,269	51,269
<b>Transactions with owners in their capacity as owners:</b>				
Return of capital	14	(106,897)	-	(106,897)
Dividends provided for or paid	21	-	(34,742)	(34,742)
<b>Balance at 30 June 2018</b>		<b>405,476</b>	<b>(29,809)</b>	<b>375,667</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		803,154	763,213
Payments to suppliers and employees		(727,750)	(700,604)
Interest received		6,980	8,509
Interest paid		(264)	(9)
Income taxes paid		(12,669)	(22,954)
<b>Net cash provided by operating activities</b>	<b>16</b>	<b>69,451</b>	<b>48,155</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(10,700)	(5,172)
Payments for intangible assets		-	(33,890)
Payments for investment assets	9	(15,479)	-
<b>Net cash used in investing activities</b>		<b>(26,179)</b>	<b>(39,062)</b>
<b>Cash flows from financing activities</b>			
Return of capital payment	14	(106,897)	-
Dividends paid	21	(34,742)	(32,069)
<b>Net cash used in financing activities</b>		<b>(141,639)</b>	<b>(32,069)</b>
<b>Net decrease in cash held</b>		<b>(98,367)</b>	<b>(22,976)</b>
Cash and cash equivalents at the beginning of the financial year		345,134	368,110
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>246,767</b>	<b>345,134</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

For year ended 30 June 2018

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## Note 1. Summary of significant accounting policies

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### 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)

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### 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 of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$163,511, on an undiscounted basis (see Note 18).

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®** branch at Acacia Ridge, Queensland.

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

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.

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

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

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

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### 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.

# Notes to the financial statements (continued)

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

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### b) Revenue (continued)

#### *Discretionary financial contributions*

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

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

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

#### *Ability to change financial return*

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

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

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).

# Notes to the financial statements (continued)

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

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**c) Income tax (continued)***Deferred tax*

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

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

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

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

*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) 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.

**e) 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.

# Notes to the financial statements (continued)

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

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### f) Property, plant and equipment

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

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

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

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

### g) 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.

### h) Payment terms

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

### i) Borrowings

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

### j) 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.



# Notes to the financial statements (continued)

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

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### j) Financial instruments (continued)

#### *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.

##### *(iii) Financial liabilities*

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

#### *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.

### k) 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.

### l) 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.

### m) Earnings per share

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

# Notes to the financial statements (continued)

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

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**n) 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.

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**Note 2. Financial risk management**

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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.

# Notes to the financial statements (continued)

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## Note 2. Financial risk management (continued)

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### (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.

During the 2018 financial year, the board considered its current capital excessive and sought to pay a return of capital to shareholders. The return of capital was resolved in the 2017 Annual General Meeting and was completed in December 2017.

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

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## Note 3. Critical accounting estimates and judgements

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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 carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

# Notes to the financial statements (continued)

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

### Taxation (continued)

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

### Estimation of useful lives of assets

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

### Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities	2018 \$	2017 \$
Operating activities:		
- gross margin	541,821	491,792
- services commissions	107,122	86,180
- fee income	53,198	70,965
- market development fund	29,167	35,000
Total revenue from operating activities	731,308	683,937
Non-operating activities:		
- interest received	6,314	8,509
- distribution income	112	-
- increase in market value of investments	217	-
Total revenue from non-operating activities	6,643	8,509
Total revenues from ordinary activities	737,951	692,446

# Notes to the financial statements (continued)

Note 5.	Expenses	2018	2017
		\$	\$
	Depreciation of non-current assets:		
	- plant and equipment	2,842	2,677
	- leasehold improvements	4,338	4,711
	Amortisation of non-current assets:		
	- franchise agreement	2,259	2,259
	- franchise renewal fee	11,297	11,297
		<u>20,736</u>	<u>20,944</u>
	Finance costs:		
	- interest paid	<u>264</u>	<u>9</u>
	Bad debts	<u>913</u>	<u>430</u>

## Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	18,034	11,088
- Movement in deferred tax	1,413	3,191
- Franking credits	(8)	-
- Foreign income tax offset	(10)	-
	<u>19,429</u>	<u>14,279</u>

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

Operating profit	70,698	51,923
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	19,442	14,279
Add tax effect of:		
- non-deductible expenses	5	-
- timing difference expenses	(1,413)	(3,191)
	<u>18,034</u>	<u>11,088</u>
Movement in deferred tax	1,413	3,191
Franking credits	(8)	-
Foreign income tax offset	(10)	-
	<u>19,429</u>	<u>14,279</u>

## Note 7. Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank and on hand	31,650	10,007
Term deposits	215,117	335,127
	<u>246,767</u>	<u>345,134</u>



# Notes to the financial statements (continued)

## 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	31,650	10,007
Term deposits	215,117	335,127
	<u>246,767</u>	<u>345,134</u>

The company has an overdraft facility that has an approved limit of \$50,000. The account had a positive balance of \$54.23 as at 30 June 2018. Interest is recognised at an average rate of 6%. The loan is secured by a fixed and floating charge over the company's assets.

## Note 8. Trade and other receivables

Trade receivables	27,794	27,479
Prepayments	4,194	4,451
Other receivables and accruals	1,550	2,104
	<u>33,538</u>	<u>34,034</u>

## Note 9. Investments

Listed securities		
Carrying amount at beginning	-	-
Additions	15,479	-
Disposals	-	-
Increase in market value of investments	217	-
Carrying amount at end	17	<u>15,696</u>

## Note 10. Property, plant and equipment

Leasehold improvements		
At cost	167,969	160,019
Less accumulated depreciation	(110,098)	(105,760)
	<u>57,871</u>	<u>54,259</u>
Plant and equipment		
At cost	58,076	55,326
Less accumulated depreciation	(45,181)	(42,339)
	<u>12,895</u>	<u>12,987</u>
Total written down amount	<u>70,766</u>	<u>67,246</u>

# Notes to the financial statements (continued)

Note 10. Property, plant and equipment (continued)	2018	2017
	\$	\$
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	54,259	58,970
Additions	7,950	-
Disposals	-	-
Less: depreciation expense	(4,338)	(4,711)
Carrying amount at end	<u>57,871</u>	<u>54,259</u>
Plant and equipment		
Carrying amount at beginning	12,987	10,492
Additions	2,750	5,172
Disposals	-	-
Less: depreciation expense	(2,842)	(2,677)
Carrying amount at end	<u>12,895</u>	<u>12,987</u>
Total written down amount	<u>70,766</u>	<u>67,246</u>

## Note 11. Intangible assets

Franchise fee		
At cost	32,867	32,867
Less: accumulated amortisation	(27,452)	(25,193)
	<u>5,415</u>	<u>7,674</u>
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(87,268)	(75,971)
	<u>27,069</u>	<u>38,366</u>
Total written down amount	<u>32,484</u>	<u>46,040</u>

# Notes to the financial statements (continued)

Note 12. Tax	2018	2017
	\$	\$
<b>Current:</b>		
Income tax payable	6,487	1,140
<b>Non-Current:</b>		
Deferred tax asset		
- accruals	14	-
Deferred tax liability		
- accruals	395	579
- property, plant and equipment	4,716	3,165
- investments	60	-
	5,171	3,744
Net deferred tax asset	5,157	3,744
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(1,413)	(3,191)

## Note 13. Trade and other payables

### Current:

Trade creditors	2,207	8,820
Other creditors and accruals	9,733	12,713
	11,940	21,533

## Note 14. Issued capital

534,487 ordinary shares fully paid (2017: 534,487)	534,487	534,487
Less: return of capital payment	(106,897)	-
Less: equity raising expenses	(22,114)	(22,114)
	405,476	512,373

At the 2017 Annual General Meeting, the company resolved an equal reduction of share capital of \$0.20 per share. The return of capital was completed in December 2017 which resulted in the company returning \$106,897 to its shareholders. This decreased the paid up capital from \$534,487 to \$427,590 as at 30 June 2018.

# Notes to the financial statements (continued)

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## Note 14. Issued capital (continued)

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### *Rights attached to shares*

#### (a) *Voting rights*

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

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

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

#### (b) *Dividends*

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

#### (c) *Transfer*

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

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

### *Prohibited shareholding interest*

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

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

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

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

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)

Note 15. Accumulated losses	2018	2017
	\$	\$
Balance at the beginning of the financial year	(46,336)	(51,911)
Net profit from ordinary activities after income tax	51,269	37,644
Dividends provided for or paid	(34,742)	(32,069)
Balance at the end of the financial year	<u>(29,809)</u>	<u>(46,336)</u>

## Note 16. 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	51,269	37,644
Non cash items:		
- depreciation	7,180	7,388
- amortisation	13,556	13,556
- increase in market value of investments	(217)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	496	10,879
- increase/(decrease) in payables	(9,593)	(12,637)
- increase/(decrease) in current tax liabilities	6,760	(8,675)
Net cash flows provided by operating activities	<u>69,451</u>	<u>48,155</u>

## Note 17. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	15,696	-	-	15,696
Total assets at fair value	<u>15,696</u>	<u>-</u>	<u>-</u>	<u>15,696</u>

# Notes to the financial statements (continued)

## Note 17. Fair value measurement (continued)

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	-	-	-	-
Total assets at fair value	-	-	-	-

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

## Note 18. Leases

	2018 \$	2017 \$
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	70,076	69,007
- between 12 months and 5 years	93,435	161,015
- greater than 5 years	-	-
	<u>163,511</u>	<u>230,022</u>

The branch premises lease is a non-cancellable lease with a 5 year term. The lease was renewed on 23 November 2015 and has two 5 year renewal options remaining. Rent is payable monthly in advance and is increased annually by CPI.

## Note 19. Auditor's remuneration

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

- audit and review services	4,400	5,250
- share registry services	3,702	2,595
- non audit services	1,400	1,325
	<u>9,502</u>	<u>9,170</u>

# Notes to the financial statements (continued)

## Note 20. Director and related party disclosures

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

Peter Geoffrey Henderson  
Amanda Lee Harward  
Linda Anne Beaumont  
Victoria Louise Maguire  
Earle Alexander Johnston  
Jane Baxter Carlisle  
Mark Ledwidge (*Resigned 31 December 2017*)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2018	2017
	\$	\$
<i>Transactions with related parties:</i>		
Victoria McGuire is a Director of J L Lander Pty Ltd, J L Lander Pty Ltd own the premises occupied by the bank.	76,691	74,800
Amanda Harward is a Director at Accounting Intelligence Pty Ltd, Acacia Ridge Financial Services Limited used the services of Accounting Intelligence Pty Ltd during the financial year. Peter Henderson was a former Director of Accounting Intelligence Pty Ltd and resigned in September 2016.	5,568	5,786
Peter Henderson provided consulting services to the bank during the financial year.	2,124	1,720
Earle Johnston provided consulting services to the bank during the financial year.	2,448	1,440
Jane Carlisle provided consulting services to the bank during the financial year.	989	360

Directors Shareholdings	2018	2017
Peter Geoffrey Henderson	30,001	30,001
Amanda Lee Harward	10,000	10,000
Linda Anne Beaumont	7,501	7,501
Victoria Louise Maguire	50,001	50,001
Earle Alexander Johnston	400	400
Jane Baxter Carlisle	500	500
Mark Ledwidge ( <i>Resigned 31 December 2017</i> )	10,001	10,001

There was no movement in directors shareholdings during the year.



# Notes to the financial statements (continued)

Note 21. Dividends provided for or paid	2018	2017
	\$	\$
<b>a. Dividends provided for and paid during the year</b>		
Current year dividend		
100% (2017: 100%) franked dividend - 6.5 cents (2017: 6 cents) per share	<u>34,742</u>	<u>32,069</u>
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).		
<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	20,939	23,191
- franking credits that will arise from payment of income tax as at the end of the financial year	7,854	1,140
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	<u>-</u>	<u>-</u>
Franking credits available for future financial reporting periods:	28,793	24,331
- 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	<u>-</u>	<u>-</u>
Net franking credits available	<u>28,793</u>	<u>24,331</u>

## Note 22. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Peter Geoffrey Henderson	3,600	-
Amanda Lee Harward	2,400	-
Linda Anne Beaumont	2,400	-
Victoria Louise Maguire	2,400	-
Earle Alexander Johnston	2,400	-
Jane Baxter Carlisle	2,400	-
Mark Ledwidge (Resigned 31 December 2017)	1,200	-
	<u>16,800</u>	<u>-</u>

# Notes to the financial statements (continued)

Note 23. Earnings per share	2018	2017
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	51,269	37,644
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	534,487	534,487

## Note 24. 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 25. 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 26. Community Enterprise Foundation

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

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2018 is as follows:

	2018	2017
	\$	\$
Opening balance	105,835	57,747
Contributions	10,526	70,774
Grants paid	(19,350)	(14,300)
Interest	1,951	1,087
Management fees	(526)	(9,473)
Balance available for distribution	<u>98,436</u>	<u>105,835</u>

## Note 27. Segment reporting

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

## Note 28. 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	Principal Place of Business
Shop 5/28 Elizabeth Street Acacia Ridge QLD 4110	Shop 5/28 Elizabeth Street Acacia Ridge QLD 4110

# Notes to the financial statements (continued)

## Note 29. 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	31,650	10,007	215,117	335,127	-	-	-	-	-	-	2.18	2.45
Receivables	-	-	-	-	-	-	-	-	27,794	27,479	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	2,207	8,820	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.

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:

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	2,468	3,451
Decrease in interest rate by 1%	(2,468)	(3,451)
Change in equity		
Increase in interest rate by 1%	2,468	3,451
Decrease in interest rate by 1%	(2,468)	(3,451)

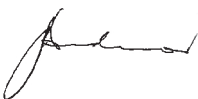
# Directors' declaration

In accordance with a resolution of the directors of Acacia Ridge 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.



**Peter Geoffrey Henderson,**  
**Chairman**

Signed on the 7th of September 2018.

# Independent audit report



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 Acacia Ridge Financial Services Limited

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Acacia Ridge 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

Acacia Ridge 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)

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: 7 September 2018



**David Hutchings**  
Lead Auditor

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