2018
Annual Report

Adelaide Plains Financial Services Ltd

ABN 50 088 304 581

Virginia & Districts **Community Bank**® Branch
Elizabeth **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2018

Business over the past year has incurred a flat year with small growth in footings generally caused by large significant run off during this financial year. However, we have finished with a good result which reflects the quality of the staff at both of our branches.

Last year's restructuring has enabled us to be able to achieve these results. The Directors and staff continue to invest in community projects that benefit and enhance our local regions.

Adelaide Plains Financial Services Ltd has made an after tax profit of $126,720 this year. This may not seem abundant, but then it must be explained that $98,421 had been placed into the Community Enterprise Foundation™ before tax. With the value already in the Community Enterprise Foundation™ and our term deposit this brings the funding for future community projects to a value of $1.4 million. An amount of $69,000 was also paid out in dividends to shareholders. More details of this are presented in the Senior Manager's report.

Our vision is to be a key element in the success of our community's development, sustainability and prosperity. We will provide a level of service and community involvement that has people feeling disadvantaged if they are not banking with either Virginia & Districts **Community Bank**® Branch or Elizabeth **Community Bank**® Branch.

On behalf of the Directors, I would like to express gratitude to our management and staff for the outstanding service they provide to all our customers and shareholders. We would also like to thank our customers for their loyalty in helping this organisation to prosper making it possible for us to reinvest our profits back into the local communities.

Dennis Cook
Chairperson

Senior Manager's report

For year ending 30 June 2018

The 2017/18 financial year created many diverse challenges within our two **Community Bank**® branches. These challenges contributed to a result of negative growth of $4.4 million for the full year across our lending and deposit book. This affected our business immensely but with sound management and tightening of expenses, we were able to exceed our budgeted net profit by $40,705 for the full year, with $98,421 invested into the Community Enterprise Foundation™, for future grants.

Our staff and staffing levels remained consistent, which has allowed us to build on quality relationships in a more proactive fashion. Unfortunately, a key position which is shared across our two sites, had another hiccup with the loss of our Customer Relationship Manager (CRM) after three months. However, with every door that closes, another door opens, and we are privileged to have been able to gain the expertise of Erica McAvaney into our CRM role, which she began in late March 2018.

Our current structure across our two branches is as follows:

Virginia & Districts Community Bank® Branch	Elizabeth Community Bank® Branch
Alf Sobczak (Senior Branch Manager)	Alf Sobczak (Senior Branch Manager)
Amie Catmur (Assistant Branch Manager)	Amie Catmur (Assistant Branch Manager)
Erica McAvaney (Customer Relationship Manager)	Erica McAvaney (Customer Relationship Manager)
Derani Collins (Senior Customer Service Officer)	Sharon Gliese (Customer Relationship Officer)
Sharon Zuppa (Customer Service Officer)	Katie Fairhurst (Customer Service Officer)
Rachel Doecke (Customer Service Officer)	Hailey Barrett (Customer Service Officer)
Chelsea Tyas (Customer Service Officer)	Samantha Rench (Customer Service Officer)
Brittany Teasdale (Customer Service Officer)	Trish Bellchambers (Customer Service Officer)
VACANT (Board Administration Assistant)	Manola Zanetti (Book Keeper)

For the 2018/19 financial year we have set goals in business written of $14.1 million and $9.4 million in growth across our lending and deposit book. We have earmarked a budgeted net profit before tax of $162,000 less what we may contribute into the Community Enterprise Foundation™. With ongoing pressures on Income through the Cost of Funds together with a highly pressurised and competitive market, this would be considered a solid result.

I would like to thank the staff who contributed to this year's result and acknowledge the support of our Directors, customers and stakeholders.

As we enter into our 20th year, I encourage everyone involved in our two **Community Bank**® branches at Virginia and Elizabeth, to remember why we opened our two branches and became part of the local community, as the meaning behind what we did back in 1999 and again in 2005, still rings true.

Alf Sobczak
Senior Manager

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:

Dennis John Cook

Chairman

Occupation: Business owner/operator

Qualifications, experience and expertise: Business owner/operator providing 3D mechanical design functions to many engineering firms across South Australia. Managing Director of Gully Design Technology, HyperVdata and Share Data Pty Ltd providing data management and share registry services to companies nationally.

Special responsibilities: Human Resources Committee, overseeing Corporate Governance.

Interest in shares: 26,550

Terance Michael Lioulios

Treasurer

Occupation: Senior Chartered Accountant

Qualifications, experience and expertise: Terance is a Chartered Accountant with qualifications of Bachelor of Commerce (Accounting) and Graduate Diploma of Chartered Accounting. He is experienced in the Accounting industry, specialising in Business Advisory and Services, Self-Managed Superannuation and Australian Taxation. Furthermore he has an ongoing involvement in his family's market gardening business, located in Virginia. Terance is a member of the Institute of Chartered Accountants Australia and New Zealand as well as a Fellow of The Tax Institute of Australia. Aside from his professional career, Terance plays football for and actively supports the Virginia Football Club.

Special responsibilities: Finance and Audit Committee

Interest in shares: Nil

Leigh Kenneth Hall OAM

Secretary

Occupation: Retired

Qualifications, experience and expertise: Bachelor of Arts in Accounting, Graduate Diploma in Applied Finance and Investments, Fellow Certified Practising Accountant. Fellow Financial Services Institute of Australia. Previously held General Management positions in Community Services, Local Government, Banking and Manufacturing industries.

Special responsibilities: Secretary. Audit & Finance Committee.

Interest in shares: Nil

Dino Musolino

Director

Occupation: Business owner/operator

Qualifications, experience and expertise: Local businessman/owner operator. Currently director of six private companies involved in the horticultural industry and Board member Italian Radio Uno Adelaide. Holds an Advanced Diploma in Horticulture. Elected member of Playford Local Government for past 20 years. Chair Hortex Alliance.

Other current directorships: Hortex Alliance and Radio Italia Uno Adelaide

Special responsibilities: Marketing & Sponsorship Committee.

Interest in shares: 45,000

Directors (continued)

Vito Malivindi

Director

Occupation: Joinery / Director

Qualifications, experience and expertise: Local businessman/owner operator for 15 years' experience in the construction industry including project managing and construction managing. President of local soccer sporting club, including coaching of the Soccer club and mentoring young players.

Special responsibilities: Chairman of Marketing Committee.

Interest in shares: 2,250

Rodney John Gibb

Director

Occupation: Semi-Retired Company Director

Qualifications, experience and expertise: He is a Fellow of the South Australian Security Industry Association and is accepted as an expert witness in the SA courts. From October 1991 until 28 June 2017 operated an SME security company in SA. He previously served as a director and company secretary for the Company was Chairman of the Virginia Residents Action Group for many years.

Special responsibilities: Marketing Committee.

Interest in shares: 36,000

Gloria Ann Porcelli

Director

Occupation: Accountant

Qualifications, experience and expertise: CPA qualified accountant with over 20 years experience in senior financial management roles in private and public companies. Industry experience includes financial services, viticulture, winemaking and manufacturing. Qualifications include Bachelor of Business (Acc), CPA (CPA Australia), Graduate Diploma for Applied Finance & Investment (SIA).

Special responsibilities: Assistant Treasurer, Audit & Finance Committee.

Interest in shares: Nil

Agapios Andrea Rentoulis

Director

Occupation: Principal of Distinction Legal, Director of Distinction Legal Pty Ltd and Dist. Pty. Ltd.

Qualifications, experience and expertise: Bachelor of Law & International studies from the University of Adelaide. Lawyer for previous 7 years with strong experience in criminal law. Previously worked in boutique and mid-tier law firms in county South Australia and in Adelaide. Started Distinction Legal in August 2014. Member of the Law Society of S.A. Elected member at City of Playford since November 2014 and current member of Virginia Resident's Action Group. Vice President of Northern Plains Compass Incorporated.

Special responsibilities: Nil

Interest in shares: Nil

Directors (continued)

Margarete Ehrhardt

Director (Resigned 24 November 2017)

Occupation: Property Sales Specialist

Qualifications, experience and expertise: Certificate IV in Property Services (Real Estate), Master Education (HRS), Bachelor of Business (HRD), Company Directors' Course (GAICD). Margarete has been in Real Estate for almost 2 years; in addition she has many years' experience in management roles, pre-dominantly in Human Resources and Corporate Services in diverse industry sectors, including Professional Services, Hospitality, Manufacturing, Building & Construction and Not for Profit.

Former director of Intellectual Disability Accommodation Association (IDAA)

Special responsibilities: Human Resources Committee.

Interest in shares: Nil

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

No directors have material interests in contracts or proposed contracts with the company except for interests disclosed in note 19.

Company Secretary

The company secretary is Leigh Kenneth Hall OAM. Leigh was appointed to the position of secretary on 9 September 2007.

Qualifications, experience and expertise: Bachelor of Arts in Accounting, Graduate Diploma in Applied Finance and Investments, Fellow Certified Practising Accountant. Fellow Financial Services Institute of Australia. Previously held General Management positions in Community Services, Local Government, Banking and Manufacturing industries.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches 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 $
126,720	118,787

Dividends

	Year ended 30 June 2018	
	Cents	$
Dividends paid in the year:	3.5	68,776

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 19 and 21 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:

	Board Meetings Attended		Committee Meetings Attended	
	Eligible	**Attended**	**Eligible**	**Attended**
Dennis John Cook	11	11	-	-
Terance Lioulios	11	10	-	-
Leigh Kenneth Hall OAM	11	7	1	1
Dino Musolino	11	5	-	-
Vito Malivindi	11	7	1	1
Rodney John Gibb	11	11	1	1
Gloria Ann Porcelli	11	7	-	-
Agapios Andrea Rentoulis	11	8	-	-
Margarete Ehrhardt (Resigned 24 November 2017)	4	3	-	-

The Board has four sub-committees - Acquisition, Audit / Finance, HR and Marketing which have elected Directors who meet on a regular, or as needs basis, and present reports/recommendations to the monthly Board meetings where required.

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, in accordance with the advice received from the audit / 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 / 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 9.

Signed in accordance with a resolution of the board of directors at Virginia, South Australia on 24 September 2018.

Dennis John Cook,
Chairman

Auditor’s independence declaration

Partners in success

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 Adelaide Plains Financial Services Ltd

As lead auditor for the audit of Adelaide Plains Financial Services Ltd 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 September 2018

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

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	1,432,333	1,410,954
Employee benefits expense		(750,212)	(727,741)
Charitable donations, sponsorship, advertising and promotion		(115,083)	(119,724)
Occupancy and associated costs		(168,829)	(164,431)
Systems costs		(40,997)	(41,585)
Depreciation and amortisation expense	5	(24,395)	(26,659)
General administration expenses		(158,032)	(165,482)
Profit before income tax expense		**174,785**	**165,332**
Income tax expense	6	(48,065)	(46,545)
Profit after income tax expense		**126,720**	**118,787**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**126,720**	**118,787**

Earnings per share		**¢**	**¢**
Basic earnings per share	22	6.45	6.05

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	7	804,936	711,613
Trade and other receivables	8	131,085	142,957
Total current assets		**936,021**	**854,570**
Non-current assets			
Property, plant and equipment	9	196,086	205,411
Intangible assets	10	16,097	7,545
Deferred tax asset	11	47,024	37,881
Total con-current assets		**259,207**	**250,837**
Total assets		**1,195,228**	**1,105,407**
LIABILITIES			
Current liabilities			
Trade and other payables	12	50,288	35,814
Current tax liabilities	11	22,352	36,063
Provisions	13	155,744	131,792
Total current liabilities		**228,384**	**203,669**
Non-current liabilities			
Provisions	13	22,016	14,854
Total non-current liabilities		**22,016**	**14,854**
Total liabilities		**250,400**	**218,523**
Net assets		**944,828**	**886,884**
EQUITY			
Issued capital	14	628,458	628,458
Retained earnings	15	316,370	258,426
Total equity		**944,828**	**886,884**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2016		**628,458**	**169,114**	**797,572**
Total comprehensive income for the year		-	118,787	118,787
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(29,475)	(29,475)
Balance at 30 June 2017		**628,458**	**258,426**	**886,884**
Balance at 1 July 2017		**628,458**	**258,426**	**886,884**
Total comprehensive income for the year		-	126,720	126,720
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(68,776)	(68,776)
Balance at 30 June 2018		**628,458**	**316,370**	**944,828**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		1,567,726	1,537,650
Payments to suppliers and employees		(1,340,282)	(1,369,990)
Interest received		14,842	2,021
Income taxes paid		(70,919)	8,039
Net cash provided by operating activities	**16**	**171,367**	**177,720**
Cash flows from investing activities			
Payments for intangible assets		(9,268)	-
Net cash used in investing activities		**(9,268)**	**-**
Cash flows from financing activities			
Dividends paid	20	(68,776)	(29,475)
Net cash used in financing activities		**(68,776)**	**(29,475)**
Net increase in cash held		**93,323**	**148,245**
Cash and cash equivalents at the beginning of the financial year		711,613	563,368
Cash and cash equivalents at the end of the financial year	**7(a)**	**804,936**	**711,613**

The accompanying notes form part of these financial statements.

Notes to the financial statements

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.

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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.

<u>Historical cost convention</u>

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.

<u>Comparative figures</u>

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

<u>Application of new and amended accounting standards</u>

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.

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 leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $75,010, on an undiscounted basis (see Note 17).

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®** branches at Virginia and Elizabeth, South Australia.

The branches operate 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®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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®** branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branches
- training for the branch 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.

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).

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 unpaid (or unrefundable).

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.

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 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) 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.

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
- furniture and fittings 4 - 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

<u>Recognition and initial measurement</u>

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.

<u>Derecognition</u>

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.

Note 1. Summary of significant accounting policies (continued)

k) 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.

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 of 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.

Note 1. Summary of significant accounting policies (continued)

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.

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.

Note 2. Financial risk management (continued)

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.

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 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.

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.

Note 3. Critical accounting estimates and judgements (continued)

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	1,142,578	1,077,333
- services commissions	82,777	113,156
- fee income	128,688	142,980
- market development fund	63,125	64,792
Total revenue from operating activities	**1,417,168**	**1,398,261**
Non-operating activities:		
- interest income	15,165	12,693
Total revenue from non-operating activities	**15,165**	**12,693**
Total revenues from ordinary activities	**1,432,333**	**1,410,954**

	2018 $	2017 $

Note 5. Expenses

	2018 $	2017 $
Depreciation of non-current assets:		
- plant and equipment	1,053	1,053
- leasehold improvements	7,274	8,664
- furniture and fittings	998	998
Amortisation of non-current assets:		
- franchise agreement	4,800	4,510
- franchise renewal fee	10,270	11,434
	24,395	**26,659**
Bad debts	**1,704**	**55**
Credit loss charged to the company	**729**	**(10)**

Note 6. Income tax expense

	2018 $	2017 $
The components of tax expense comprise:		
- Current tax	57,208	44,691
- Movement in deferred tax	(9,143)	775
- Under/(Over) provision of tax in the prior period	-	1,079
	48,065	**46,545**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	174,785	165,332
Prima facie tax on loss from ordinary activities at 27.5% (2017: 27.5%)	48,065	45,466
Add tax effect of:		
- timing difference expenses	9,143	(775)
	57,208	**44,691**
Movement in deferred tax	(9,143)	775
Under/(Over) provision of income tax in the prior year	-	1,079
	48,065	**46,545**

	2018 $	2017 $

Note 7. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	90,450	111,613
Term deposits	714,486	600,000
	804,936	**711,613**
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	90,450	111,613
Term deposits	714,486	600,000
	804,936	**711,613**

Note 8. Trade and other receivables

	2018 $	2017 $
Trade receivables	113,977	120,904
Prepayments	14,431	19,698
Other receivables and accruals	2,677	2,355
	131,085	**142,957**

Note 9. Property, plant and equipment

	2018 $	2017 $
Leasehold improvements		
At cost	357,640	357,640
Less accumulated depreciation	(169,422)	(162,148)
	188,218	**195,492**
Plant and equipment		
At cost	86,985	86,985
Less accumulated depreciation	(81,132)	(80,079)
	5,853	**6,906**
Furniture and fittings		
At cost	22,097	22,097
Less accumulated depreciation	(20,082)	(19,084)
	2,015	**3,013**
Total written down amount	**196,086**	**205,411**

	2018 $	2017 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts:

	2018 $	2017 $
Leasehold improvements		
Carrying amount at beginning	195,492	204,156
Less: depreciation expense	(7,274)	(8,664)
Carrying amount at end	**188,218**	**195,492**
Plant and equipment		
Carrying amount at beginning	6,906	7,959
Less: depreciation expense	(1,053)	(1,053)
Carrying amount at end	**5,853**	**6,906**
Furniture and fittings		
Carrying amount at beginning	3,013	4,011
Less: depreciation expense	(998)	(998)
Carrying amount at end	**2,015**	**3,013**
Total written down amount	**196,086**	**205,411**

Note 10. Intangible assets

	2018 $	2017 $
Establishment fee		
At cost	129,392	129,392
Less: accumulated amortisation	(129,392)	(129,392)
	-	**-**
Franchise fee		
At cost	161,885	161,885
Less: accumulated amortisation	(159,140)	(154,340)
	2,745	**7,545**
Renewal processing fee		
At cost	23,623	-
Less: accumulated amortisation	(10,271)	-
	13,352	**-**
Total written down amount	**16,097**	**7,545**

	2018 $	2017 $
Note 11. Tax		
Current:		
Income tax payable	**22,352**	**36,063**
Non-Current:		
Deferred tax assets		
- accruals	1,045	1,018
- employee provisions	48,884	40,328
	49,929	**41,346**
Deferred tax liability		
- accruals	736	648
- property, plant and equipment	2,169	2,817
	2,905	**3,465**
Net deferred tax asset	**47,024**	**37,881**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(9,143)**	**775**

Note 12. Trade and other payables

Current:		
Trade creditors	260	-
Other creditors and accruals	50,028	35,814
	50,288	**35,814**

Note 13. Provisions

Current:		
Provision for annual leave	55,516	51,113
Provision for long service leave	100,228	80,679
	155,744	**131,792**
Non-Current:		
Provision for long service leave	**22,016**	**14,854**

Note 14. Issued capital

1,965,025 ordinary shares fully paid (2017: 1,965,025)	671,610	671,610
Less: equity raising expenses	(43,152)	(43,152)
	628,458	**628,458**

Note 14. Issued capital (continued)

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 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 233. As at the date of this report, the company had 259 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.

Note 14. Issued capital (continued)

Prohibited shareholding interest (continued)

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.

Note 15. Retained earnings

	2018 $	2017 $
Balance at the beginning of the financial year	258,426	169,114
Net profit from ordinary activities after income tax	126,720	118,787
Dividends provided for or paid	(68,776)	(29,475)
Balance at the end of the financial year	**316,370**	**258,426**

Note 16. Statement of cash flows

	2018 $	2017 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	126,720	118,787
Non cash items:		
- depreciation	9,325	10,715
- amortisation	15,070	15,944
Changes in assets and liabilities:		
- (increase)/decrease in receivables	11,872	(15,841)
- (increase)/decrease in other assets	(9,143)	18,521
- increase/(decrease) in payables	120	(12,660)
- increase/(decrease) in provisions	31,114	6,191
- increase/(decrease) in current tax liabilities	(13,711)	36,063
Net cash flows provided by operating activities	**171,367**	**177,720**

Note 17. 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	69,629	73,720
- between 12 months and 5 years	5,381	74,200
	75,010	**147,920**

The company holds non-cancellable leases for each of the branch locations. The lease on the Virginia branch is a ten year term which expires in July 2019 with an option of two additional terms of five years. The lease on the Elizabeth branch expired 31 August 2017 and is currently on a month by month basis. Rent is payable on a monthly basis.

Note 18. Auditor's remuneration

	2018 $	2017 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,400	5,950
- non audit services	2,430	3,225
	7,830	**9,175**

Note 19. Director and related party disclosures

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

Dennis John Cook
Terance Lioulios
Leigh Kenneth Hall OAM
Dino Musolino
Vito Malivindi
Rodney John Gibb
Gloria Ann Porcelli
Agapios Andrea Rentoulis
Margarete Ehrhardt (Resigned 24 November 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 $
Transactions with related parties:		
Dennis Cook is the Managing Director of ShareData Pty Ltd which provided share registry services to the company during the financial year to the value of:	7,200	7,503

Note 19. Director and related party disclosures (continued)

Directors' Shareholdings	2018	2017
Dennis John Cook	26,550	26,550
Terance Lioulios	-	-
Leigh Kenneth Hall OAM	-	-
Dino Musolino	45,000	45,000
Vito Malivindi	2,250	2,250
Rodney John Gibb	36,000	36,000
Gloria Ann Porcelli	-	-
Agapios Andrea Rentoulis	-	-
Margarete Ehrhardt (Resigned 24 November 2017)	-	-

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

Note 20. Dividends provided for or paid

	2018 $	2017 $
a. Dividends paid during the year		
Current year dividend		
100% (2017: 100%) franked dividend - 3.5 cents (2017: 1.5 cents) per share	**68,776**	**29,475**

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

	2018 $	2017 $
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the beginning of the financial year	148,927	168,146
- franking credits that will arise from payment of income tax paid during the financial year	35,549	17,341
- franking debits from the payment of fully franked dividends	(26,087)	(11,180)
- franking credits from payment of income tax following lodgement of annual income tax returns	35,371	(25,380)
- franking account balance as at the end of the financial year	193,760	148,927
- franking credits that will arise from payment of income tax payable as at the end of the financial year	22,352	36,063
Net franking credits available	**216,112**	**184,990**

	2018 $	2017 $

Note 21. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

	2018 $	2017 $
Dennis John Cook	1,820	1,700
Terance Lioulios	1,200	1,200
Leigh Kenneth Hall OAM	1,460	1,820
Dino Musolino	600	360
Vito Malivindi	960	600
Rodney John Gibb	1,440	1,200
Gloria Ann Porcelli	1,340	1,820
Agapios Andrea Rentoulis	960	120
Margarete Ehrhardt (Resigned 24 November 2017)	360	1,200
	10,140	**10,020**

Note 22. Earnings per share

	2018 $	2017 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	126,720	118,787

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,965,025	1,965,025

Note 23. 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 24. 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 25. 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	602,953	532,247
Contributions	98,421	98,421
Grants paid	(12,587)	(40,304)
Interest	12,274	12,588
Management fees	(4,473)	-
Balance available for distribution	**696,587**	**602,953**

Note 26. Segment reporting

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

Note 27. 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
Virginia Shopping Centre
Shop 7/Old Port Wakefield Road
Virginia SA 5120

Principal Place of Business
Virginia Shopping Centre
Shop 7/Old Port Wakefield Road
Virginia SA 5120

Note 28. 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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 %**	**2017 %**
Financial assets												
Cash and cash equivalents	90,450	111,613	714,486	600,000	-	-	-	-	-	-	1.82	2.10
Receivables	-	-	-	-	-	-	-	-	113,977	120,904	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	260	-	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.

Note 28. Financial instruments (continued)

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%	8,049	7,116
Decrease in interest rate by 1%	(8,049)	(7,116)
Change in equity		
Increase in interest rate by 1%	8,049	7,116
Decrease in interest rate by 1%	(8,049)	(7,116)

Directors' declaration

In accordance with a resolution of the directors of Adelaide Plains 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.

Dennis John Cook,
Chairman

Signed on the 24th of September 2018.

AFS
Partners in success
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 Adelaide Plains Financial Services Ltd

Report on the audit of the financial statements

Our opinion
In our opinion, the financial report of Adelaide Plains Financial Services Ltd 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
Adelaide Plains Financial Services Ltd'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.

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: 24 September 2018

David Hutchings
Lead Auditor

Virginia & Districts **Community Bank**® Branch
Shop 7, Virginia Shopping Centre,
Old Pt Wakefield Road, Virginia SA 5120
Phone: (08) 8380 8491
www.bendigobank.com.au/virginia

Elizabeth **Community Bank**® Branch
Shop 1, 3 Elizabeth Way, Elizabeth SA 5112
Phone: (08) 8255 7713
www.bendigobank.com.au/elizabeth

Franchisee: Adelaide Plains Financial Services Ltd
Shop 7, Virginia Shopping Centre,
Old Pt Wakefield Road, Virginia SA 5120
PO Box 942, Virginia SA 5120
ABN: 50 088 304 581

(BNPAR18083) (10/18)

Bendigo Bank
Bigger than a bank.

bendigobank.com.au