

Annual Report 2018

Alice Springs Community Financial
Services Limited

Alice Springs **Community Bank**[®] Branch

ABN 97 122 893 449

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Chair's Report

For year ending 30 June 2018

On behalf of the Board of Alice Springs Community Financial Services Limited I'm proud to present our report for 2017/18 financial year.

At the end of June 2017, we opened the doors of our newly relocated branch at Yeperenye Shopping Centre 'opposite the Alice Springs Post Office'. We selected this site for relocation to introduce our Community Bank® Branch to new audiences, develop existing relationships with customers and community partners and to cement our reputation for excellence in customer service and as supporters of the local community. Over the last 12 months the benefits of this decision have been clearly demonstrated, with a significant increase in customer numbers, deposits and loans, with our company posting a before tax profit of over \$200,000 for the year, surpassing our target.

The Board reviewed and then developed a new strategic plan for 2018-2020. This was signed off in April and is providing a focus for and measurement of our work over the next two years. In this plan, we reaffirm our purpose and our values, and I share them with you, here.

Our purpose is to work with Bendigo and Adelaide Bank Limited, our staff, our shareholders and our customers to deliver exceptional banking services and to share the benefit with our community - our shareholders, our customers and the broader Alice Springs community.

Our values reflect and inform the behavior's we adopt to achieve our vision and purpose. We are committed to:

- *Working for and with our local community;*
- *Local ownership, local board, and local decision-making;*
- *Building and maintaining a culture of trust through ethical, honest and transparent governance;*
- *Putting our customers and our community first;*
- *Building our success through the success of others through community investment and engagement;*
- *Ensuring customer service excellence.*

The Alice Springs Community Bank® story began 12 years ago when a group of passionate and enthusiastic community members came together to generate interest in setting up a Community Bank® company. They succeeded. In 2017, we celebrated our 10th Anniversary in our new location with founding board members and customers and with board members and staff who have joined them over the decade, making their contribution build this local business. We also hosted a successful Business at Sunset event and other smaller events over the year to introduce our new location and our Community Bank® business model to different audiences.

Our staff team are our most important assets. We value them highly and support them in their career development. Our team has undergone some changes this year. In March 2018, Paula O'Brien was accepted into training for the NT Police, and Karina Leerson returned to work in her family business. We welcomed new staff members Suzy Carruthers, Liz Hunter and Mark Pinfold to the team. Branch Manager, Renee DeMarco took maternity leave in April and we have been delighted to welcome as interim manager, Michael (Mick) Brennan. Mick has brought to our branch a wealth of experience with Bendigo Bank, and has supported Sarah Kerr and our new team members, particularly in achieving their training and development goals.

The Board congratulates all the team members on their significant achievements this year, contributing to the growth of our business and strengthening our position in the highly competitive banking market in Alice Springs.

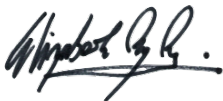
Alice Springs Community Bank® Branch continues to invest in our community, through scholarships and sponsorships and to date have contributed over \$275,000 to community groups and students assisting them to achieve their goals. The recipients of this year's community contributions are listed on page X.

I would like to acknowledge each of the Directors for their commitment. Their contribution as volunteers is substantial, time consuming and is vital to ensuring our success.

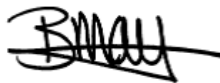
I acknowledge the Directors who stepped down this year, Dalton Dupuy, Ruth Elvin, Aimee Austin and Teneil (Neily) O'Connell for their time and contributions to the Board and the Bank. I particularly thank past Chair Aimee Austin and past Company Secretary Neily O'Connell for their work during a period of great change for the company.

I welcome to the board, Andrea Jewell who has become an active member of the HR and WHS committee. I also welcome back onto the board, Bridget May as Co-Chair.

On behalf of the Board, we would like to thank our shareholders, customers and our dedicated staff for their loyalty and for the continued opportunity to service our community. I encourage everyone to get behind our Community Bank® branch. We care deeply about our customers, our staff team and our local community. By banking with us you are supporting us to reinvest our profits in the local community.



Joy Taylor
Co-chair



Bridget May
Co-Chair

Manager's Report

For the year ending 30th June 2018

I have great pleasure in presenting the 11th Annual Branch Manager's Report for the Alice Springs Community Bank® Branch. I arrived in the Red Centre on the 17th April for a six-month stint as Manager to cover for Renee DeMarco who was on maternity leave (Miss Bella DeMarco arrived safe and sound in early April). This has been a double blessing for me, I've met so many wonderful people, and I dodged one of the coldest and wettest Victorian winters of recent times.

This year also saw the arrival of three new staff members, Liz Hunter (Customer Service Officer) in September last year, Suzy Carruthers (Customer Relationship Manager) in February, and Mark Pinfold (Customer Service Officer) who arrived in March. Sarah Kerr (Customer Relationship Officer) has been the one steady influence throughout the year and has been a wonderful mentor to all us "newbies".

The three new staff have been wonderful additions to the team, and all four have contributed greatly to the continued growth of the branch in so many wonderful ways, Alice Springs Community Bank® Branch is blessed to have such a wonderful frontline crew.

While the year just gone has been a tougher one than in recent years due to changing economic circumstances nationally, the branch still met its profit target. Lending has been on-going despite the depth of competition in the Alice, and deposit growth has continued to boom which speaks volumes for where people see us in the market place. Great staff has its rewards.

In a year when the Royal Commission painted the Banking Industry as a whole in a most unflattering light, the Alice Springs Community Bank® Branch continued to be focused on the success of our customers and our community. If they are doing well then so is the Bank – it's never the other way around and nor should it be.

Renee returns to the job in October and I'm proud of the fact that I will be presenting her with four very efficient, capable and confident staff members. This is purely a reflection on them, they're the ones that have done the hard yards over the last year. They have made me look good and I have no doubt that they will make Renee's working day a pleasure also.

Thank you also to the Bridget, Joy and the Board for their commitment to the Branch and their support of the staff.

Thank you to the shareholders who continue to back the branch, we wouldn't be here without you.

And thank you most of all the customers. The loyalty shown by the existing ones and the trust and faith from the newcomers has been fantastic.

Welcome back Renee, and keep up the great work Suzy, Sarah, Liz and Mark. I'm sure 2018-19 holds big things in store for Alice Springs Community Bank® Branch.



Michael Brennan
Acting Branch Manager

Community Contributions Report

For year ending 30 June 2018

Higher Education Scholarship recipient

Rebecca Curr

Vocational Education Scholarship recipient/s

None for 2017-2018

Community Partners 2017 - 2018*:

Alice Springs Animal Shelter
Alice Springs Community Garden
Alice Springs Scouts Group
Alice Springs Go Kart Club
Alice Springs Rough Riders
Alice Springs Show Society
Alice Springs Show Society Kidzone
Alice Springs Beanie Festival
Alice Springs Netball Association
Alice Springs Shark Tank / Chamber of Commerce NT
Alice Springs Prostate Cancer Support Group
Alice Springs Ministers Fellowship - Carols by Candlelight
Birth and Beyond
Central Australian Drag Racing Association (CADRA)
Desert Sports Foundation
Dingo Cubs Rugby Club
Red Hot Arts
8CCC Community Radio Inc

* Community partners are local organisations which have received contributions in one of the following forms: sponsorships, donations, free rental of community POS and/or waived transaction fees, and other non-cash support from Alice Springs Community Bank® Branch.

Bendigo & Adelaide Bank Report

For year ending 30 June 2018

It's been 20 years since the doors to the first Community Bank® branch opened. And it has only been a few months since the latest, the 321st, Community Bank® 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® branch to the most recent one, and the 319 in between.

This year, five of our Community Bank 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® 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® 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® contributions, all because of people banking with their local Community Bank® branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our Community Bank® 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® 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® 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® branch network in Australia.

We value your initial contribution and your ongoing support of your Community Bank® 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 year ending 30 June 2018

The Directors present their report of the company for the financial year ended 30 June 2018.

Directors

The following persons were Directors of Alice Springs Community Financial Services during or since the end of the financial year up to the date of this report:

Elizabeth Bridget May

Position

Professional qualifications

Experience and expertise

Co-Chair (appointed April 2018)

Graduate Certificate of Business Management, Cert IV in Tourism. Business owner.

Certificate in Effective People Skills.

A member of Australian Institute of Company Directors. Member of Women on Boards, Member/Volunteer of the not-for-profit organisation Central Craft. Grants Program Manager, Arts NT, Department of Arts and Museums. Acting Director, Screen Territory, Department of Arts and Museums. Owner, Nora & RD Productions.

Special responsibilities: HR Committee

Interest in shares: 3,500

Elizabeth Joy Taylor

Position

Professional qualifications

Experience and expertise

Co-Chair

Graduate Diploma in Education, University of SA. BA Joint Honours Economics and Agricultural Economics, Nottingham University, UK. Advanced Diploma in Community Sector Management. Cert II Broadcasting (Radio). Cert IV Assessment and Workplace Training. Cert IV in Marketing. Cert IV in Community Services and Health (Community Development). Cert IV in Information Technology. Cert IV in First Line Management.

Centred in Choice Pty Ltd. Company Director Consultant in business development, business planning and strategic planning, preparing grant and tender applications, project management and resource development (print, radio and multi-media), work-based training and mentoring, and professional writing and editing.

Special responsibilities: Business Development and Marketing Committee, Human Resources and Workplace Health & Safety Committee (part year).

Interest in shares: 500

Romeo Mutsago

Position

Professional qualifications

Experience and expertise

Treasurer

MBA (financial services); Hon. Bachelor of Accounting Sciences; Bachelor of Accounting Hon.; DBA – current studies.

Professional memberships - CA ANZ; CPA Australia; FCCA - ACCA; CFE - ACFE.

Risk management; financial reporting; financial management; auditing - external & internal; compliance reviews; performance management review and appraisal.

Special responsibilities: Audit & Finance Committee.

Interest in shares: Nil

Sarah Jocelyn Davies

Position

Professional qualifications

Experience and expertise

Director (Resigned in rotation as required by constitution and reappointed at 2017 AGM)

Research scientist (PhD, Geography), formerly CSIRO (environmental management, community development).

Member Governing Committee & Treasurer Arid Lands Environment Centre Inc; Chair Alice Springs Water Advisory Committee; member Australian Institute of Company Directors.

Special responsibilities: Audit & Finance and Premises Lease Committees.

Interest in shares: 2,500

Directors' Report (*continued*)

Roger Paul Ahwah

Position Director
Professional qualifications Bachelor of Computer Science. Engineering Manager. Senior Systems Engineer Manager.
Experience and expertise Past President of Rotary Club. Past Rotary Assistant Governor - District 9500
Special responsibilities: Business Development and Marketing Committee.
Interest in shares: Nil

Nicole Ruth Walsh

Position Director
Professional qualifications Marketing Manager, Marketing and Sponsorship Manager for Yeperenye Pty Ltd Alice Springs. Nicole's role includes promotions, events, developing overall marketing strategies, communication, retail development, community engagement, overseeing of security and car parking services and retail leasing.
Experience and expertise Member Alice Springs Chamber of Commerce Committee. Member Tourism Events and Promotions Committee, Alice Springs Town Council. Member Regional Economic Development Committee. Member NT Hockey Board. Nominated for the Telstra Business Women Awards 2016 and 2017.
Special responsibilities: Business Development and Marketing Committee.
Interest in shares: Nil

Andrea Lynn Jewell

Position Director (Appointed 5 December 2017)
Professional qualifications Graduated from the University of Ballarat with a Bachelor's degree in Tourism and Marketing.
Experience and expertise Has worked extensively in the Tourism Industry over the past 20 years in different states and Territory's in Australia. Has lived and worked in Alice Springs for 13 years. Currently works in tourism development in the public sector and also works in a locally owned tourism business in the private sector.
Special responsibilities: Human Resources and Workplace Health & Safety Committee.
Interest in shares: 1000

Howard Dalton Dupuy (Resigned 30 August 2017)

Position Director
Professional qualifications NSW Department of Health Aids Coordinator from 1989-2003. Gym owner 1984 - 1989; Agricultural scientist/manager 1975-1984;
Experience and expertise Rotary Club of Alice Springs; Board Member Steiner School Alice Springs 2006-2009.
Special responsibilities: Business Development and Marketing Committee, Premises Lease Committee.
Interest in shares: 500

Aimee Yvonne Austin (Resigned 30 November 2017)

Position Director
Professional qualifications Masters in Human Resource Management (specialising in Industrial Relations), Bachelor of Science (majoring in Microbiology and Biological Sciences).
Experience and expertise People and Culture Manager with significant experience working in NFP organisations, providing strategic advice in HR Management, governance and risk management.
Special responsibilities: Human Resources and Business Development & Marketing Committees.
Interest in shares: Nil

Directors' Report (continued)

Teneil Rose O'Connell (Resigned 28 February 2018)

Position	Director
Professional qualifications	Enrolled - Advanced Diploma of Business, Cert IV in Training and Assessment, Cert III in Business Administration.
Experience and expertise	5 years of experience in Administration Roles.
	Special responsibilities: Secretary
	Interest in shares: Nil

Ruth Elvin (Resigned 06 November 2017)

Position	Director
Professional qualifications	Bachelor of Arts/Law, Master of Arts (Political Science), Master of Laws (Intellectual Property).
Experience and expertise	Senior programs and research manager with public sector and not-for-profit organisations. Past President and current Director Alice Springs Art Foundation.
	Special responsibilities: Human Resources and Workplace Health & Safety Committee.
	Interest in shares: 500

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

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

Directors' meetings

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

	Board Meetings Attended		Sub Committee Meetings					
			Business Development and Marketing		Human Resources and Workplace Health & Safety		Finance and audit committee	
	<i>A</i>	<i>B</i>	<i>A</i>	<i>B</i>	<i>A</i>	<i>B</i>	<i>A</i>	<i>B</i>
Elizabeth Joy Taylor	9	5	4	4	7	4	-	-
Elizabeth Bridget May ²	3	3	2	1	2	2	-	-
Sarah Jocelyn Davies	9	7	-	-	-	-	5	5
Roger Paul Ahwah	9	7	4	3	-	-	5	2
Nicole Ruth Walsh	9	6	4	4	3	3	5	2
Romeo Mutsago	9	6	-	-	-	-	5	5
Andrea Lynn Jewell ¹	4	3	-	-	7	7	-	-
Teneil Rose O'Connell ³	7	5	-	-	1	1	-	-
Aimee Yvonne Austin ⁴	5	4	1	1	3	3	-	-
Ruth Elvin ⁵	4	4	-	-	-	-	-	-
Howard Dalton Dupuy ⁶	1	-	-	-	-	-	-	-

A - eligible to attend

B - number attended

1. Appointed 5 December 2017

2. Appointed 13 February 2018

3. Resigned 28 February 2018

4. Resigned 30 November 2017

5. Resigned 6 November 2017

6. Resigned 30 August 2018

Company Secretary

Anne Coleman has been the Company Secretary since 27 March 2018. Her qualifications and experience include in-depth knowledge of administrative management practices, responsibilities, systems and procedures, providing high-level administrative assistance, and dealing with strict confidentiality policies to ensure security, integrity and confidentiality of all data.

Principal activities

The principal activities of the company during the course of the financial year were in providing Community Bank® branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited. There have been no significant changes in the nature of these activities during the year.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

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.

Indemnifying Officers or Auditor

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

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

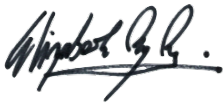
Proceedings on behalf of company

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

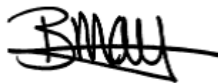
Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Alice Springs on 26 September 2018.



Joy Taylor
Co-chair



Bridget May
Co-Chair

Auditor's Independence Declaration



Partners in success

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 Alice Springs Community Financial Services Limited

As lead auditor for the audit of Alice Springs Community 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: 26 September 2018

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

David Hutchings
Lead Auditor

Financial Statements

Alice Springs Community Financial Services Limited Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	760,719	676,116
Employee benefits expense		(325,709)	(317,419)
Charitable donations, sponsorship, advertising and promotion		(25,618)	(19,248)
Occupancy and associated costs		(43,139)	(132,550)
Systems costs		(19,485)	(20,009)
Depreciation and amortisation expense	5	(39,858)	(34,906)
Finance Costs	5	(295)	(25)
General administration expenses		(99,563)	(104,923)
Profit before income tax		207,052	47,036
Income tax (expense)/credit	6	(56,940)	355,605
Profit after income tax		150,112	402,641
Total comprehensive income for the year attribute to the ordinary shareholders of the company:		150,112	402,641
Earnings per share		¢	¢
Basic earnings per share	22	17.51	46.96

Financial Statements (continued)

Alice Springs Community Financial Services Limited Balance Sheet As at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,208	156
Trade and other receivables	8	26,889	70,821
Total current assets		28,097	70,977
Non-current assets			
Property, plant and equipment	9	189,601	258,882
Intangible assets	10	60,306	2,308
Deferred tax assets	11	298,665	355,605
Total non-current assets		548,572	616,795
Total assets		576,669	687,772
LIABILITIES			
Current liabilities			
Trade and other payables	12	49,332	322,096
Borrowings	13	452,009	521,846
Provisions	14	37,236	38,935
Total current liabilities		538,577	882,877
Non-current liabilities			
Trade and other payables	12	82,658	-
Provisions	14	3,970	3,543
Total non-current liabilities		86,628	3,543
Total liabilities		625,205	886,420
Net liabilities		(48,536)	(198,648)
EQUITY			
Issued capital	15	839,034	839,034
Accumulated losses	16	(887,570)	(1,037,682)
Total equity		(48,536)	(198,648)

Alice Springs Community Financial Services Limited
 Statement of Changes in Equity
 for the year ended 30 June 2018

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 30 July 2016	839,034	(1,440,323)	(601,289)
Total comprehensive income for the year	-	402,641	402,641
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2017	839,034	(1,037,682)	(198,648)
Balance at 30 July 2017	839,034	(1,037,682)	(198,648)
Total comprehensive income for the year	-	150,112	150,112
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2018	839,034	(887,570)	(48,536)

Alice Springs Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		892,172	736,661
Payments to suppliers and employees		(600,566)	(626,269)
Interest received		1	-
Interest paid		(295)	(25)
Net cash provided by operating activities	17	291,312	110,367
Cash flows from investing activities			
Payments for property, plant and equipment		(213,235)	(2,239)
Payments for intangible assets		(7,188)	(13,844)
Net cash used in investing activities		(220,423)	(16,083)
Net increase in cash held		70,889	94,284
Cash and cash equivalents at the beginning of the financial year		(521,690)	(615,974)
Cash and cash equivalents at the end of the financial year	7(a)	(450,801)	(521,690)

Notes to the financial statements

Alice Springs Community Financial Services Limited
Notes to the financial statements
for the 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 Standard Boards (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 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

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.

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.

Application of new and amended accounting standards (continued)

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 \$266,000, 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 Alice Springs, Northern Territory.

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.

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:

- 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.

a) 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).

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. The Business Development and Marketing Committee aims to expend the MDF income consistent with this purpose.

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.

b) 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 refundable).

Deferred tax

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

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 excess.

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.

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
- Plants and equipment 2.5 - 40 years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement

(i) *Loans and receivables*

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

(ii) *Financial liabilities*

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

Note 2. Financial risk management

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

Notes to the financial statements (*continued*)

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities		
- gross margin	557,572	466,145
- services commissions	100,243	103,977
- fee income	65,070	70,539
- market development fund	25,833	35,000
Total revenue from operating activities	<u>748,718</u>	<u>675,661</u>
Total revenue from ordinary activities	<u>748,718</u>	<u>675,661</u>
Non-operating activities:		
- other revenue (sundry income)	12,000	455
- interest revenue	1	-
	<u>12,001</u>	<u>455</u>
Total revenue from ordinary activities	<u>760,719</u>	<u>676,116</u>

Note 5. Expenses	2018	2017
	\$	\$
Depreciation of non-current assets:		
- leasehold improvements	19,648	19,257
- plant and equipment	4,909	1,805
Amortisation of non-current assets:		
- franchise fee	2,310	2,307
- franchise renewal fee	11,553	11,537
- franchise fee legal advice	1,438	-
	<u>39,858</u>	<u>34,906</u>
Finance costs:		
- interest paid	<u>295</u>	<u>25</u>
Bad debts	<u>626</u>	<u>664</u>
Loss on disposal of assets	<u>-</u>	<u>6,315</u>

Notes to the financial statements (*continued*)

Note 6. Income tax credit	2018	2017
	\$	\$
The components of tax credit comprise:		
- movement deferred tax	5,087	(2,390)
- recoupment of prior year tax losses	51,853	15,325
- Bring into account future income tax benefit from tax losses previously not recognized	-	(368,540)
	<u>56,940</u>	<u>(355,605)</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax credit as follows		
Operating profit	207,052	47,036
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	56,940	12,935
Add tax effect of:		
- non-deductible expenses	-	1,737
- timing difference expenses	(5,087)	1,186
- other deductible expenses	-	(533)
	<u>51,853</u>	<u>15,325</u>
Movement in deferred tax	5,087	(2,390)
Bring into account future income tax benefit from tax losses previously not recognized	-	(368,540)
	<u>56,940</u>	<u>(355,605)</u>
Note 7. Cash and cash equivalents	2018	2017
	\$	\$
Cash at bank and on hand	<u>1,208</u>	<u>156</u>

Notes to the financial statements (*continued*)

Note 7(a). Reconciliation to cash flow statement	2018	2017
	\$	\$
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	1,208	156
Bank overdraft	13 (452000)	(521846)
	<u>(450801)</u>	<u>(521690)</u>

Note 8. Trade and other receivables	2018	2017
	\$	\$
Trade receivables	23,244	57,966
Prepayments	3,645	12,855
	<u>26,889</u>	<u>70,821</u>

Note 9. Property, plant and equipment	2018	2017
	\$	\$
Leasehold improvements		
At cost	192,681	258,882
Less accumulated depreciation	(19,648)	-
	<u>173,033</u>	<u>258,882</u>
Plant and equipment		
At cost	21,477	-
Less accumulated depreciation	(4,909)	-
	<u>16,568</u>	<u>-</u>
Total written down amount	<u>189,601</u>	<u>258,882</u>

Movements in carrying amounts:

Notes to the financial statements (continued)

Leasehold improvements		
Carrying amount at beginning	258,882	22,477
Additions	-	258,882
Disposals	-	(3,220)
Adjustments to value of assets	(66,201)	-
Less: depreciation expense	(19,648)	(19,257)
Carrying amount at end	<u>173,033</u>	<u>258,882</u>
Plant and equipment		
Carrying amount at beginning	-	3,584
Additions	21,477	1,316
Disposals	-	(3,905)
Less: depreciation expense	(4,909)	(1,805)
Carrying amount at the end	<u>16,568</u>	<u>-</u>
Total written down amount	<u>189,601</u>	<u>258,882</u>

The opening value of the leasehold improvements was the total amount quoted for all property, plant and equipment recognized in the financial year ending 30 June 2017. When the fit out was invoiced during the 2017/2018 financial year it was \$44,724 less than quoted with \$21,477 worth of the cost being for plant and equipment. This resulted in the account balance for leasehold improvements being reduced by \$66,201.

Note 10. Intangible assets	2018	2017
	\$	\$
Franchise fee		
At cost	32,555	21,537
Less: accumulated amortisation	(23,462)	(21,152)
	<u>9,093</u>	<u>385</u>
Renewal processing fee		
At cost	112,777	57,684
Less: accumulated amortisation	(67,314)	(55,761)
	<u>45,463</u>	<u>1,923</u>
Franchise legal fees		
At cost	7,188	-
Less: accumulated amortisation	(1,438)	-
	<u>5,750</u>	<u>-</u>
Total written down amount	<u>60,306</u>	<u>2,308</u>

Notes to the financial statements (*continued*)

Note 11. Tax	2018	2017
	\$	\$
Deferred tax assets		
- accruals	770	743
- employee provision	11,332	11,681
- tax losses carried forward	291,328	343,181
	<u>303,430</u>	<u>355,605</u>
Deferred tax liabilities		
- property, plant and equipment	4,765	-
	<u>4,765</u>	<u>-</u>
Net deferred tax asset	<u>298,665</u>	<u>355,605</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(52,175)</u>	<u>355,605</u>

Note 12. Trade and other payables	2018	2017
	\$	\$
Current		
Trade creditors	33,787	23,886
Other creditors and accruals	15,545	298,210
	<u>49,332</u>	<u>322,096</u>
Non-current		
Other creditors and accruals	<u>82,658</u>	<u>-</u>

Note 13. Borrowings	2018	2017
	\$	\$
Bank overdraft	<u>452,009</u>	<u>521,846</u>

The company has an overdraft facility of \$780,000. The bank overdraft has a rolling renewal date and an interest free period. It is secured by a floating charge over the company's assets.

Notes to the financial statements (*continued*)

Note 14. Provisions	2018	2017
	\$	\$
Current:		
Provision for annual leave	15,759	20,008
Provision for long service leave	21,477	18,927
	<u>37,236</u>	<u>38,935</u>
Non-Current:		
Provision for long service leave	<u>3,970</u>	<u>3,543</u>

Note 15. Issued Capital	2018	2017
	\$	\$
857,467 ordinary shares fully paid (2017: 857,467)	857,467	857,467
Less: equity raising expenses	(18,433)	(18,433)
	<u>839,034</u>	<u>839,034</u>

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.

(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 or refuse to register a transfer of shares.

Subject to the forgoing, shareholders may transfer shares by a proper transfer effect 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 carried 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 336. As at the date of this report, the company had 370 shareholders.

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

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

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

Notes to the financial statements (continued)

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 recognize 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 16. Accumulated losses	2018	2017
	\$	\$
Balance at the beginning of the financial year	(1,037,682	(1,440,323
))
Net profit from ordinary activities after income tax	150,112	402,641
Balance at the end of the financial year	(887,570)	(1,037,682
))

Note 17. 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	150,112	402,641
Non-cash items:		
- depreciation	24,557	21,062
- amortisation	15,301	13,844
- loss on disposal of asset	-	6,315
Changes in assets and liabilities:		
- (increase)/decrease in receivables	43,932	(1,136)
- (increase)/decrease in other assets	(9,171)	(355,605)
- increase/(decrease) in payables	67,853	19,614
- increase/(decrease) in provisions	(1,272)	3,632
Net cash flows provided by operating activities	291,312	110,367

Notes to the financial statements (*continued*)

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	65,000	32,500
- between 12 months and 5 years	195,000	260,000
- greater than 5 years	-	-
	<u>260,000</u>	<u>292,500</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease begins on 1 July 2017 and has an option for a further term of five years.

The company is to receive a lessor contribution towards the branch fitout costs as a lease incentive. The lease incentive is presented as part of the lease liabilities and is reversed on a straight line basis over the lease term. The company will also receive a rent-free period of six months.

Note 19. Auditor's remuneration	2018	2017
	\$	\$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	4,200
- other non-audit services	4,395	3,480
	<u>8,795</u>	<u>7,680</u>

Notes to the financial statements (*continued*)

Note 20. Director and related party disclosures	2018	2017
	\$	\$
<p>The names of the directors who have held office during the financial year are:</p> <p>Elizabeth Joy Taylor Elizabeth Bridget May (<i>Appointed 13 February 2018</i>) Sarah Jocelyn Davies Roger Paul Ahwah Nicole Ruth Walsh Romeo Mutsago Andrea Lynn Jewell (<i>Appointed 5 December 2017</i>) Teneil Rose O’Connell (<i>Resigned 28 February 2018</i>) Aimee Yvonne Austin (<i>Resigned 30 November 2017</i>) Ruth Elvin (<i>Resigned 6 November 2017</i>) Howard Dalton Dupuy (<i>Resigned 30 August 2017</i>)</p> <p>Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.</p>		
	2018	2017
	\$	\$
<p>Transactions with related parties:</p> <p>Teneil Rose O’Connell provided for the secretarial services during the year.</p>		
	2,000	-

Note 20. Director and related party disclosures

Directors Shareholdings	2018	2017
Elizabeth Joy Taylor	500	500
Elizabeth Bridget May (<i>Appointed 13 February 2018</i>)	3,500	3,500
Sarah Jocelyn Davies	2,500	2,500
Roger Paul Ahwah	-	-
Nicole Ruth Walsh	-	-
Romeo Mutsago	-	-
Andrea Lynn Jewell (<i>Appointed 5 December 2017</i>)	-	-
Teneil Rose O'Connell (<i>Resigned 28 February 2018</i>)	-	-
Aimee Yvonne Austin (<i>Resigned 30 November 2017</i>)	-	-
Ruth Elvin (<i>Resigned 6 November 2017</i>)	500	500
Howard Dalton Dupuy (<i>Resigned 30 August 2017</i>)	500	500

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

Note 21. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

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

Note 22. Earnings per share	2018	2017
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	150,112	402,641

Notes to the financial statements (*continued*)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	857,467	857,467

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. Segment reporting

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

Note 26. 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
39a Yeperenye Shopping Centre
36-38 Hartley Street
Alice Springs NT 0870

Principal Place of Business
39a Yeperenye Shopping Centre
36-38 Hartley Street
Alice Springs NT 0870

Note 27. 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	-	-	-	-	-	-	-	-	1,208	156	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	23,244	57,966	N/A	N/A
Financial liabilities												
Interest bearing liabilities	452,009	521,846	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	33,787	23,886	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 unrecognized financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognized 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%	(4,520)	(5,218)
Decrease in interest rate by 1%	4,520	5218
Change in equity		
Increase in interest rate by 1%	(4,520)	(5,218)
Decrease in interest rate by 1%	4,520	5,218

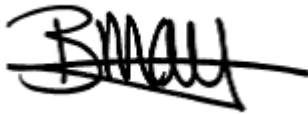
Directors' Declaration

In accordance with a resolution of the directors of Alice Springs Community 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.



Elizabeth Bridget May, Co-Chair

Signed on the 26th September 2018

Independent Audit Report

Independent auditor's report to the members of Alice Springs Community Financial Services Limited

Report on the audit of the financial statements

Our opinion

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

1. 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 the date; and
2. Complying with Australian Accounting Standards.

What we have audited

Alice Springs Community 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 Auditors 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* 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 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.

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: 26 September 2018



David Hutchings
Lead Auditor

Alice Springs **Community Bank**[®] Branch
Yeperenye Shopping Centre, Alice Springs NT 0870
Phone: 8952 7517 Fax: 8953 4907

Franchisee: Alice Springs Community Financial Services Limited
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ABN: 97 122 893 449
Email: secretary1.ascb@gmail.com

www.bendigobank.com.au/alice-springs

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(S56052) (415121_v1) (6/10/2018)



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