Partners in success
Chartered Accountants

# Balmain/Rozelle Financial Services Limited

## ABN: 95 112 711 654

## Financial Statements

For the year ended
30 June 2018

# Contents

## CHAIRMAN'S REPORT 2017/18

2017/18 was a year in which Balmain/Rozelle Financial Services Limited made some further progress towards sustained improved performance, however it was not without challenges.

The principal challenge which continues to confront the business is achieving sustained growth. Over the past year there has been a significant increase in the size of the company's book to over $100 million. That growth is very welcome however it has been in product areas which generate small profit margins. Increases in the more profitable lending portfolio were offset by reductions in at call-deposits and as a result revenues remained comparable to the prior year. There was a small increase in operating expenses mainly due increased employment costs. Support for Community activity has been resumed but on a very limited basis.

The combination of flat revenue and some increase in expenses resulted in a reduced profit when compared to 2016/17. After careful consideration the Board has decided not to declare a dividend.

Last year I advised the Board had decided to focus effort on building the lending portfolio and had restructured the business to better support that strategy. Initial results were positive, but not sustained. It also became apparent, as the year progressed, the operational structure was not ideal for the overall operation of the business. Consequently the Board has used the opportunity arising from the resignation of the Branch Manager late in 2017/18 to reshape the branch structure.

I am particularly pleased to be able to advise Mrs Claudia Lucchitti has been appointed to lead the business as Branch Operations

Manager. Claudia is returning to the fold having commenced her Community Bank career at Balmain/Rozelle 12 years ago. The impact of Claudia's experience, knowledge and enthusiasm is already being felt in the branch.

The year also saw the departure of two long serving employees, Mary McIntosh and David Moss. Mary decided to pursue a career outside banking, while David has moved to a role within Bendigo Bank. On behalf of the Board I want to acknowledge their contribution to the business.

The support the business receives from Bendigo has again been essential for the maintenance of operations during the year and on behalf of the Board I extend our thanks to Bendigo and our two Regional Managers Denice Kelly and David Chamberlain.

Two directors also found it necessary to step down during the year. Alex Ebert had serious health challenges and Richard Shaw, who was also Company Secretary, had a career change. I thank both Alex and Richard for their contribution and ongoing interest in the company.

Two Directors were appointed. Anna Brooks and Sean Parker are both "locals" and bring relevant skills and experience to the Board.

I thank all Directors all of whom give of their time, knowledge and expertise on a voluntary basis, for their contribution and support during the year.

Greg Pattison

Chairman

## Manager's Report

I am pleased to be writing my first Manager's report for Balmain/Rozelle Financial Services Ltd as your Branch Operations Manager since my appointment in late July 2018.

As many of you may remember I had started at Balmain/Rozelle in March 2006 just as the branch was coming up to its first anniversary. After spending 4 years at Balmain my career with the bank over the last 8 years has taken me to Leichhardt, Sydney CBD and then Homebush Community Bank.

Since that time, much has changed as Bendigo and Community Banks adapt to an ever changing banking environment. My role Branch Operations Manager is a reflection of that change. My focus is to make sure the business delivers the fundamentals of service, efficiency, sales and compliance, and to work with our colleagues in Bendigo to make sure business opportunities, both consumer and business are pursued. In short my job is to help the business grow by making sure foundations are strong.

We also have a new team at the Branch. While that presents its own set of challenges it is a rare opportunity to build a new steam start from scratch and refresh how things are done at the Branch.

Our new team, Customer Service Officers, Kate Farnbach, Danielle Britten and James Gilhooly all live locally and know the local community.

They all have a fresh enthusiastic outlook and are providing a high level of service in meeting the needs of our personal and business customers.

In a short space of time, the staff have created a warm and welcoming atmosphere within the branch.

Building a new team requires help and we have received tremendous support from our corporate bank colleagues, and I would like to thank Denice Kelly (Regional Manager), Amy Land's Customer Experience and Relief Team who supported me whilst inducting and training our new team.

I am confident that our Community Bank Branch has the staff and systems to provide a positive experience for our customers that will flow through to return business and referrals.

I believe there is a lot of opportunity for the Bank in our community. Now the initial stages of settling in the new team are passing I look forward to building our local profile with the local businesses and community groups.

I would like to thank the Chairman and Board for their support.

Thank you to all the shareholders for all your support and referring business to us, as our ambassadors.

I am looking forward to seeing you soon.

Claudia Lucchitti

# Bendigo and 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**

# Balmain/Rozelle Financial Services Limited
# Directors' Report

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:

Gregory Baliol Pattison
Director
Occupation: Retired
Qualifications, experience and expertise: Greg has over 40 years experience in executive and general management roles in a range of industries including manufacturing, wholesaling, photofinishing and finance. Prior to retirement he spent over 20 years with the NSW Business Chamber holding several roles including the establishment of the largest sector New Apprenticeships Centre in NSW, WHS and workers compensation policy and the delivery of industrial relations services to members. Greg has held a number of directorships during his career. He has been a Balmain resident since 1981 and is Secretary/Treasurer of the Balmain Rozelle Chamber of Commerce. He holds a Bachelor of Commerce (Econ) and an MBA.
Special responsibilities: Chairman
Interest in shares: Nil

John Fara
Director
Occupation: Chartered Accountant
Qualifications, experience and expertise: John is a director of Fiducia Advisors Pty Ltd, an accounting and business services firm in Rozelle. He is a Fellow of CPA Australia, Fellow of the Taxation Institute of Australia and Chartered Tax Advisor. He has over 20 years' experience in commerce and the accounting profession. He holds a Bachelor Degree in Commerce and a Graduate Diploma in Advanced Taxation from the University of New South Wales. John is a past President of CPA Australia NSW Division and has held various roles including as member of the small business taskforce, liaison to and member of the NSW Public Practice Committee and Chair of the Young Professionals Committee. John currently serves as the CPA Australia representative to the Joint State Tax Liaison Committee with the NSW Office of State Revenue. John has also served as an executive officer of the Balmain Rozelle Chamber of Commerce.
Special responsibilities: Chair - Finance & Risk Committee
Interest in shares: Nil

John Hughes Jobling
Director
Occupation: Retired
Qualifications, experience and expertise: John was a pharmacist at Sydney University who operated his own business for 28 years. He was a member of the NSW Parliament from 1984 to 2003. John was Chairman of the Defence Reserve Support Council NSW from 2000 to 2008 and a member of the National Board. He has been a Member of St John Ambulance NSW since 2003 and involved in multiple capacities including being a member of the Finance, Audit and Risk Committee since 2005, Advisor to Board from 2005 to 2011 and a Director since 2011. He was an elected member of Leichhardt Council from 2012 to 2016, John was also on the Audit & Risk Committee at the Council during this time. He is an elected member of Inner West Council LRAC Committee 2016-17, Chairman of Local Strata (59 units) since 2011 and President and life member of Castlereagh Probus Club.
Special responsibilities: Nil
Interest in shares: Nil

**Directors *(continued)***

Clifford Philipiah
Director
Occupation: Senior Photographic Correspondent
Qualifications, experience and expertise: With over 20 years' experience in Marketing, Cliff has worked on the major branding and repositioning of Heineken beer in the Asia-Pacific region, the highly-awarded 2000 Olympic campaign for Westpac Banking Corporation and consulted on several projects with NSW TAB, APN News & Media and other Big 4 Banks. Cliff currently works as a senior Photographic Correspondent for a global news service and is an Executive on the P&C of his children's school in Balmain; being a Balmain resident for over 15 years, he is a strong advocate of the community spirit that the Balmain/Rozelle Peninsula encapsulates.
Special responsibilities: Chair - Marketing Committee
Interest in shares: Nil

Sean McCawley
Director *(Appointed 4 October 2017)*
Occupation: CEO - Capital Markets Technology
Qualifications, experience and expertise: Sean is the CEO of Capital Markets Technologies, the commercialisation and investment arm of the Capital Markets Co-operative Research Centre, and is a Director of Lorica Health Pty Ltd. He has previously been an executive at banking and financial services companies with experience in strategy, M&A and business improvement, and has also been an advisor to a number of startups. Sean has an MBA (Exec) from the Australian Graduate School of Management, a B.Comm from Western Sydney University, and is a member of the Australian Institute of Company Directors.
Special responsibilities: Member of Finance Committee
Interest in shares: Nil

Anna Luck
Director *(Appointed 19 February 2018)*
Occupation: Accountant
Qualifications, experience and expertise: Over 10 years experience in accounting with 8 in the corporate and personal insolvency space. A chartered accountant with a Bachelor in Commerce and an MBA, majoring in professional accounting. Now in Balmain running a small business focusing on corporate insolvency, turnaround management and forensic accounting engagements. Having grown up in Balmain I have a particular interest in supporting and maintaining local businesses to ensure ti continues as the thriving, supporting community/economy I know and love.
Special responsibilities: Marketing Committee, HR Committee
Interest in shares: Nil

Sean Parker
Director *(Appointed 25 June 2018)*
Occupation: Chartered Accountant
Qualifications, experience and expertise: Sean Parker has over 20 years experience in Senior Management, including CFO roles in two publicly listed companies. Recent experience includes Strategy and Business Development responsibilities with a positive impact on stakeholder value. Sean has over 20 years experience in financial services where he was responsible for large scale financing as well as mergers and acquisitions. He has strong finance and risk management skills and is currently the Chair of the Audit Committee for Gowrie NSW, a not for profit group focussed on early learning.
Special responsibilities: Member of Finance & Risk Committee, Member of Marketing Subcommittee, Company Secretary
Interest in shares: Nil

**Directors *(continued)***

Richard Nigel Shaw
Director *(Resigned 19 June 2018)*
Occupation: General Manager
Qualifications, experience and expertise: Richard has 30 years experience in financial services and banking having held operational, senior management and executive positions in SME's and large corporations. During his career he has held roles as portfolio accountant, certified financial planner, stockbroker, mortgage lender, practice development manager, head of advice and general manager. Richard is a member of the North Sydney PCYC Executive Committee and has volunteered abroad. Richard holds an MBA (Executive), Master of Business Coaching, Governance & Risk Management Certification, Project Management Certifications and is a Certified Financial Planner. He is also a Justice of the Peace.
Special responsibilities: Nil
Interest in shares: Nil

Alexander George Ebert
Director *(Resigned 29 January 2018)*
Occupation: Accountant
Qualifications, experience and expertise: Alex operates an accounting practice in Abbotsford established in 2002. He is a certified registered practising NTAA Tax Agent & Accountant and a Fellow Member of the National Tax & Accountant's Association Ltd. Through his practice he initiated the Abbotsford Public School's Mathematics Award, to recognise and encourage young students to achieve in arithmetic. The practice also sponsors several other student activities at Abbotsford School. Alex is supports fundraising activities through Rotary.
Special responsibilities: Nil
Interest in shares: Nil

Peter Edmund English
Director *(Resigned 27 September 2017)*
Occupation: Senior Manager: Community Banking & Engagement - Bendigo and Adelaide Bank Ltd
Qualifications, experience and expertise: Peter has 35 years experience in retail banking with branch, area, regional and senior management roles. For the past 18 years he has been with the Bendigo & Adelaide Bank in the Community Banking and Engagement Department. Peter is currently Senior Manager - Community Bank Analytics & Strategic Support and responsible for monitoring and analysing the business and financial performance of the 300 plus Community Bank branches nationally and providing support as required. Community involvements include past president of both the Bendigo Agricultural Society and the Polwarth Sheep Breeders Assoc. of Australia, former Executive of Bendigo Central Traders Assoc. and the Bendigo Chamber of Commerce and is currently on a number of agriculture and livestock committees/groups. Peter holds a Diploma of Business Studies/Accounting. Peter is also a director of Dancoor Community Finances Limited and a former Director of Geographe Bay Community Enterprises Limited.
Special responsibilities: Nil
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.

**Company Secretary**

The company secretary is Simon Sean Parker. He was appointed to the position of secretary on 25 June 2018 taking over from Richard Nigel Shaw.

Qualifications, experience and expertise: Sean has over 20 years experience in Senior Management, including CFO roles in two publicly listed companies. Recent experience includes Strategy and Business Development responsibilities with a positive impact on stakeholder value. Sean has over 20 years experience in financial services where he was responsible for large scale financing as well as mergers and acquisitions. He has strong finance and risk management skills and is currently the Chair of the Audit Committee for Gowrie NSW, a not for profit group focussed on early learning.

### Principal Activities

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

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

### Operating results

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

| Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|
| 22,141 | 40,840 |

### Dividends

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

### 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.

### 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 | |
|---|---|---|
| | Eligible | Attended |
| Gregory Baliol Pattison | 11 | 11 |
| John Fara | 11 | 9 |
| John Hughes Jobling | 11 | 9 |
| Clifford Philipiah | 11 | 9 |
| Sean McCawley *(Appointed 4 October 2017)* | 7 | 6 |
| Anna Luck *(Appointed 19 February 2018)* | 5 | 5 |
| Sean Parker *(Appointed 25 June 2018)* | 1 | 1 |
| Richard Nigel Shaw *(Resigned 19 June 2018)* | 10 | 9 |
| Alexander George Ebert *(Resigned 29 January 2018)* | 6 | 2 |
| Peter Edmund English *(Resigned 27 September 2017)* | 4 | 3 |

### Proceedings on behalf of the company

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

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

### Non audit services

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

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

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

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

### 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 6.

Signed in accordance with a resolution of the board of directors at Balmain, New South Wales on 26 September 2018.

Gregory Baliol Pattison, Chairman

Partners in success
Chartered Accountants

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

As lead auditor for the audit of Balmain/Rozelle 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.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2018

**David Hutchings**
**Lead Auditor**

# Balmain/Rozelle 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 | 583,748 | 569,976 |
| Employee benefits expense | | (255,464) | (232,838) |
| Charitable donations, sponsorship, advertising and promotion | | (8,433) | (9,992) |
| Occupancy and associated costs | | (122,041) | (131,319) |
| Systems costs | | (33,322) | (31,193) |
| Depreciation and amortisation expense | 5 | (28,325) | (27,432) |
| Finance costs | 5 | (13,412) | (6,233) |
| General administration expenses | | (91,970) | (60,068) |
| **Profit before income tax expense** | | **30,781** | **70,901** |
| Income tax expense | 6 | (8,640) | (30,061) |
| **Profit after income tax expense** | | **22,141** | **40,840** |
| **Total comprehensive income for the year attributable to the ordinary shareholders of the company:** | | **22,141** | **40,840** |
| **Earnings per share** | | ¢ | ¢ |
| Basic earnings per share | 22 | 2.46 | 4.54 |

The accompanying notes form part of these financial statements

# Balmain/Rozelle Financial Services Limited
## Balance Sheet
as at 30 June 2018

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 60,495 | 30,365 |
| Trade and other receivables | 8 | 47,768 | 52,527 |
| **Total current assets** | | **108,263** | **82,892** |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 242,366 | 252,381 |
| Intangible assets | 10 | 29,499 | 43,216 |
| Deferred tax asset | 11 | 201,534 | 210,174 |
| **Total non-current assets** | | **473,399** | **505,771** |
| **Total assets** | | **581,662** | **588,663** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 39,964 | 189,486 |
| Borrowings | 13 | - | 3,304 |
| Provisions | 14 | - | 12,468 |
| **Total current liabilities** | | **39,964** | **205,258** |
| **Non-current liabilities** | | | |
| Trade and other payables | 12 | 18,815 | 37,630 |
| Borrowings | 13 | 250,000 | 92,025 |
| Provisions | 14 | - | 3,008 |
| **Total non-current liabilities** | | **268,815** | **132,663** |
| **Total liabilities** | | **308,779** | **337,921** |
| **Net assets** | | **272,883** | **250,742** |
| **EQUITY** | | | |
| Issued capital | 15 | 863,146 | 863,146 |
| Accumulated losses | 16 | (590,263) | (612,404) |
| **Total equity** | | **272,883** | **250,742** |

The accompanying notes form part of these financial statements

# Balmain/Rozelle Financial Services Limited
## Statement of Changes in Equity
for the year ended 30 June 2018

| | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|
| **Balance at 1 July 2016** | 863,146 | (653,244) | 209,902 |
| Total comprehensive income for the year | - | 40,840 | 40,840 |
| **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** | **863,146** | **(612,404)** | **250,742** |
| **Balance at 1 July 2017** | 863,146 | (612,404) | 250,742 |
| Total comprehensive income for the year | - | 22,141 | 22,141 |
| **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** | **863,146** | **(590,263)** | **272,883** |

The accompanying notes form part of these financial statements

# Balmain/Rozelle 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 | | 648,378 | 614,957 |
| Payments to suppliers and employees | | (583,807) | (552,417) |
| Interest received | | 83 | 617 |
| Interest paid | | (13,251) | (6,233) |
| **Net cash provided by operating activities** | 17 | **51,403** | **56,924** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (158,840) | (5,719) |
| Payments for intangible assets | | (17,104) | (15,788) |
| **Net cash used in investing activities** | | **(175,944)** | **(21,507)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 250,000 | - |
| Repayment of borrowings | | (95,329) | (4,929) |
| **Net cash provided by/(used in) financing activities** | | **154,671** | **(4,929)** |
| **Net increase in cash held** | | **30,130** | **30,488** |
| Cash and cash equivalents at the beginning of the financial year | | 30,365 | (123) |
| **Cash and cash equivalents at the end of the financial year** | 7(a) | **60,495** | **30,365** |

The accompanying notes form part of these financial statements

## Note 1. Summary of significant accounting policies

### a) Basis of preparation

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

*Compliance with IFRS*

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

*Critical accounting estimates*

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

*Historical cost convention*

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

*Comparative figures*

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

*Application of new and amended accounting standards*

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

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

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

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

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

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

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

### a) Basis of preparation *(continued)*

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

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

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $222,335, 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 Balmain, New South Wales.

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 and assistance in relation to:

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

## 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.

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

### b) Revenue *(continued)*

*Discretionary financial contributions*

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

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

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

*Ability to change financial return*

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

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

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

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

*Monitoring and changing financial return*

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

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

### c) Income tax

*Current tax*

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

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

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

*Deferred tax*

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

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

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

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

*Current and deferred tax for the period*

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

### d) 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.

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

**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 |
| - 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**

*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.

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) 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.

## Note 2. Financial risk management *(continued)*

(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 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.

Recovery of deferred tax assets arising from carried-forward tax losses in the ordinary course of business could take many years depending on the size of future taxable profits and amount of carried-forward losses, however, there is no reason to believe that it will not be recovered over time.

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.

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

*Taxation (continued)*

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

*Estimation of useful lives of assets*

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

*Impairment of assets*

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

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

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

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

### Note 4. Revenue from ordinary activities

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Operating activities: | | |
| - gross margin | 438,349 | 407,266 |
| - services commissions | 73,225 | 66,864 |
| - fee income | 42,174 | 59,812 |
| - market development fund | 30,000 | 35,417 |
| Total revenue from operating activities | 583,748 | 569,359 |
| Non-operating activities: | | |
| - interest received | - | 617 |
| Total revenues from ordinary activities | 583,748 | 569,976 |

## Note 5. Expenses

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Depreciation of non-current assets: | | |
| - plant and equipment | 6,661 | 4,549 |
| - leasehold improvements | 5,071 | 6,663 |
| - furniture and fittings | 3,037 | 2,664 |
| Amortisation of non-current assets: | | |
| - franchise agreement | 2,259 | 2,259 |
| - franchise renewal fee | 11,297 | 11,297 |
| | 28,325 | 27,432 |
| Finance costs: | | |
| - interest paid | 13,412 | 6,233 |
| Bad debts | 145 | - |

## Note 6. Income tax expense

| | 2018 | 2017 |
|---|---|---|
| The components of tax expense comprise: | | |
| - Future income tax benefit attributable to losses | (2,207) | - |
| - Movement in deferred tax | 10,761 | 7,536 |
| - Adjustment to deferred tax to reflect change to tax rate in future periods | - | 8,429 |
| - Recoupment of prior year tax losses | - | 13,290 |
| - Under provision of tax in the prior period | 86 | 806 |
| | 8,640 | 30,061 |

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

| | 2018 | 2017 |
|---|---|---|
| Operating profit | 30,781 | 70,901 |
| Prima facie tax on loss from ordinary activities at 27.5% (2017: 27.5%) | 8,465 | 19,498 |
| Add tax effect of: | | |
| - non-deductible expenses | 89 | 449 |
| - timing difference expenses | (10,761) | (6,657) |
| | (2,207) | 13,290 |
| Movement in deferred tax | 10,761 | 7,536 |
| Adjustment to deferred tax to reflect change of tax rate in future periods | - | 8,429 |
| Under provision of income tax in the prior year | 86 | 806 |
| | 8,640 | 30,061 |

## Note 7. Cash and cash equivalents

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | 46,869 | 16,739 |
| Term deposits | 13,626 | 13,626 |
| | 60,495 | 30,365 |

## 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 | 46,869 | 16,739 |
| Term deposits | 13,626 | 13,626 |
| | 60,495 | 30,365 |

## Note 8. Trade and other receivables

| | | |
|---|---|---|
| Trade receivables | 41,632 | 40,635 |
| Prepayments | 5,900 | 4,373 |
| Other receivables and accruals | 236 | 7,519 |
| | 47,768 | 52,527 |

## Note 9. Property, plant and equipment

| | | |
|---|---|---|
| Leasehold improvements | | |
| At cost | 171,702 | 171,702 |
| Less accumulated depreciation | (11,128) | (6,057) |
| | 160,574 | 165,645 |
| Plant and equipment | | |
| At cost | 73,439 | 73,439 |
| Less accumulated depreciation | (19,365) | (12,704) |
| | 54,074 | 60,735 |
| Furniture and fittings | | |
| At cost | 36,631 | 31,877 |
| Less accumulated depreciation | (8,913) | (5,876) |
| | 27,718 | 26,001 |
| Total written down amount | 242,366 | 252,381 |

## Note 9. Property, plant and equipment *(continued)*

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Movements in carrying amounts:** | | |
| | | |
| Leasehold improvements | | |
| Carrying amount at beginning | 165,645 | 165,749 |
| Additions | - | 4,445 |
| Disposals | - | - |
| Less: depreciation expense | (5,071) | (4,549) |
| Carrying amount at end | 160,574 | 165,645 |
| | | |
| Plant and equipment | | |
| Carrying amount at beginning | 60,735 | 66,124 |
| Additions | - | 1,274 |
| Disposals | - | - |
| Less: depreciation expense | (6,661) | (6,663) |
| Carrying amount at end | 54,074 | 60,735 |
| | | |
| Furniture and fittings | | |
| Carrying amount at beginning | 26,001 | 28,665 |
| Additions | 4,754 | - |
| Disposals | - | - |
| Less: depreciation expense | (3,037) | (2,664) |
| Carrying amount at end | 27,718 | 26,001 |
| | | |
| Total written down amount | 242,366 | 252,381 |

## Note 10. Intangible assets

| | 2018 | 2017 |
|---|---|---|
| Franchise fee | | |
| At cost | 22,867 | 22,867 |
| Less: accumulated amortisation | (18,027) | (15,767) |
| | 4,840 | 7,100 |
| | | |
| Establishment fee | | |
| At cost | 60,000 | 60,000 |
| Less: accumulated amortisation | (60,000) | (60,000) |
| | - | - |
| | | |
| Renewal processing fee | | |
| At cost | 114,337 | 114,337 |
| Less: accumulated amortisation | (90,134) | (78,837) |
| | 24,203 | 35,500 |
| | | |
| Borrowing Costs | | |
| At cost | 804 | 804 |
| Less: accumulated impairment losses | (348) | (188) |
| | 456 | 616 |
| | | |
| Total written down amount | 29,499 | 43,216 |

## Note 11. Tax

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Non-current:** | | |
| Deferred tax assets | | |
| - accruals | 151 | 1,018 |
| - employee provisions | - | 4,256 |
| - tax losses carried forward | 209,284 | 205,961 |
| | 209,435 | 211,235 |
| Deferred tax liability | | |
| - accruals | 65 | 18 |
| - deductible prepayments | 1,623 | - |
| - property, plant and equipment | 6,213 | 1,043 |
| | 7,901 | 1,061 |
| Net deferred tax asset | 201,534 | 210,174 |
| Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income | 8,640 | 30,061 |

## Note 12. Trade and other payables

| | | |
|---|---|---|
| **Current:** | | |
| Trade creditors | 26,774 | 17,367 |
| Other creditors and accruals | 13,190 | 172,119 |
| | 39,964 | 189,486 |
| **Non-current:** | | |
| Other creditors and accruals | 18,815 | 37,630 |

## Note 13. Borrowings

| | | |
|---|---|---|
| **Current:** | | |
| Bank loans | - | 3,304 |
| **Non-current:** | | |
| Bank loans | 250,000 | 92,025 |

Balmain/Rozelle Financial Services Limited had an approved overdraft limit of $100,000 . The facility was unused as at 30 June 2018.

The bank loan is a 5 year term interest only loan with monthly repayments for interest. The current interest rate is 5.8% with the principle amount due in August 2022. The loan is secured by a fixed and floating charge over the company's assets.

| Note 14. Provisions | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Current:** | | |
| Provision for annual leave | - | 12,468 |
| **Non-current:** | | |
| Provision for long service leave | - | 3,008 |

| Note 15. Issued capital | | |
|---|---|---|
| 900,011 ordinary shares fully paid (2017: 900,011) | 900,011 | 900,011 |
| Less: equity raising expenses | (36,865) | (36,865) |
| | 863,146 | 863,146 |

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.*

## Note 15. Issued capital *(continued)*

Prohibited shareholding interest

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

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

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

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

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

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

## Note 16. Accumulated losses

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Balance at the beginning of the financial year | (612,404) | (653,244) |
| Net profit from ordinary activities after income tax | 22,141 | 40,840 |
| Balance at the end of the financial year | (590,263) | (612,404) |

## Note 17. Statement of cash flows

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

| | | |
|---|---|---|
| Profit from ordinary activities after income tax | 22,141 | 40,840 |
| Non cash items: | | |
| - depreciation | 14,769 | 13,876 |
| - amortisation | 13,717 | 13,718 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | 4,758 | (11,707) |
| - decrease in other assets | 8,640 | 30,061 |
| - increase/(decrease) in payables | 2,854 | (23,312) |
| - decrease in provisions | (15,476) | (6,552) |
| Net cash flows provided by operating activities | 51,403 | 56,924 |

## Note 18. Leases

| 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 | 102,616 | 101,000 |
| - between 12 months and 5 years | 119,719 | 218,833 |
| - greater than 5 years | - | - |
| | 222,335 | 319,833 |

The branch lease is a non-cancellable lease with a four-year, three-month and 22-day term (aligned with franchise fee agreement) which commenced on 1 May 2016. Rent is payable monthly, with an option to renew for a period of five years.

## Note 19. Auditor's remuneration

| | 2018 | 2017 |
|---|---|---|
| Amounts received or due and receivable by the auditor of the company for: | | |
| - audit and review services | 5,400 | 5,300 |
| - share registry services | 1,885 | 1,885 |
| - non audit services | 2,680 | 429 |
| | 9,965 | 7,614 |

## Note 20. Director and related party disclosures

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

Gregory Baliol Pattison
John Fara
John Hughes Jobling
Clifford Philipiah
Sean McCawley *(Appointed 4 October 2017)*
Anna Luck *(Appointed 19 February 2018)*
Sean Parker *(Appointed 25 June 2018)*
Richard Nigel Shaw *(Resigned 19 June 2018)*
Alexander George Ebert *(Resigned 29 January 2018)*
Peter Edmund English *(Resigned 27 September 2017)*

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

## Note 20. Director and related party disclosures *(continued)*

| Directors Shareholdings | 2018 | 2017 |
|---|---|---|
| Gregory Baliol Pattison | - | - |
| John Fara | - | - |
| John Hughes Jobling | - | - |
| Clifford Philipiah | - | - |
| Sean McCawley *(Appointed 4 October 2017)* | - | - |
| Anna Luck *(Appointed 19 February 2018)* | - | - |
| Sean Parker *(Appointed 25 June 2018)* | - | - |
| Richard Nigel Shaw *(Resigned 19 June 2018)* | - | - |
| Alexander George Ebert *(Resigned 29 January 2018)* | - | - |
| Peter Edmund English *(Resigned 27 September 2017)* | - | - |

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 | 22,141 | 40,840 |
| | Number | Number |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 900,011 | 900,011 |

## 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 Balmain and Rozelle, New South Wales 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 | Principal Place of Business |
|---|---|
| 600 Darling Street<br>Rozelle, NSW, 2039 | Shop 1A, 600 Darling Street<br>Rozelle, NSW, 2039 |

## 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 | 46,725 | 16,626 | 13,626 | 13,626 | - | - | - | - | 144 | 113 | Nil | 2.55 |
| Receivables | - | - | - | - | - | - | - | - | 41,632 | 40,635 | N/A | N/A |
| **Financial liabilities** | | | | | | | | | | | | |
| Interest bearing liabilities | - | - | - | 3,304 | 250,000 | 92,025 | - | - | - | - | 5.61 | 6.12 |
| Payables | - | - | - | - | - | - | - | - | 26,774 | 17,367 | N/A | N/A |

*Net Fair Values*

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

*Credit Risk*

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

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

*Interest Rate Risk*

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

*Sensitivity Analysis*

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

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

| | 2018 $ | 2017 $ |
|---|---|---|
| Change in profit/(loss) | | |
| Increase in interest rate by 1% | (1,896) | (652) |
| Decrease in interest rate by 1% | 1,896 | 652 |
| | | |
| Change in equity | | |
| Increase in interest rate by 1% | (1,896) | (652) |
| Decrease in interest rate by 1% | 1,896 | 652 |

# Balmain/Rozelle Financial Services Limited
# Directors' Declaration

In accordance with a resolution of the directors of Balmain/Rozelle 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.

Gregory Baliol Pattison, Chairman

Signed on the 26th of September 2018.

AFS
Partners in success
Chartered Accountants

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PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

# Independent auditor's report to the members of Balmain/Rozelle Financial Services Limited

## Report on the audit of the financial statements

### Our opinion

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

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

### What we have audited

Balmain/Rozelle Financial Services Limited's (the company) financial report comprises the:

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

### Basis for opinion

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

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

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

### Other information

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

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**

Taxation

Business Services

Community Banking

Audit

Share Registry

Your partners
in success

AFS
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