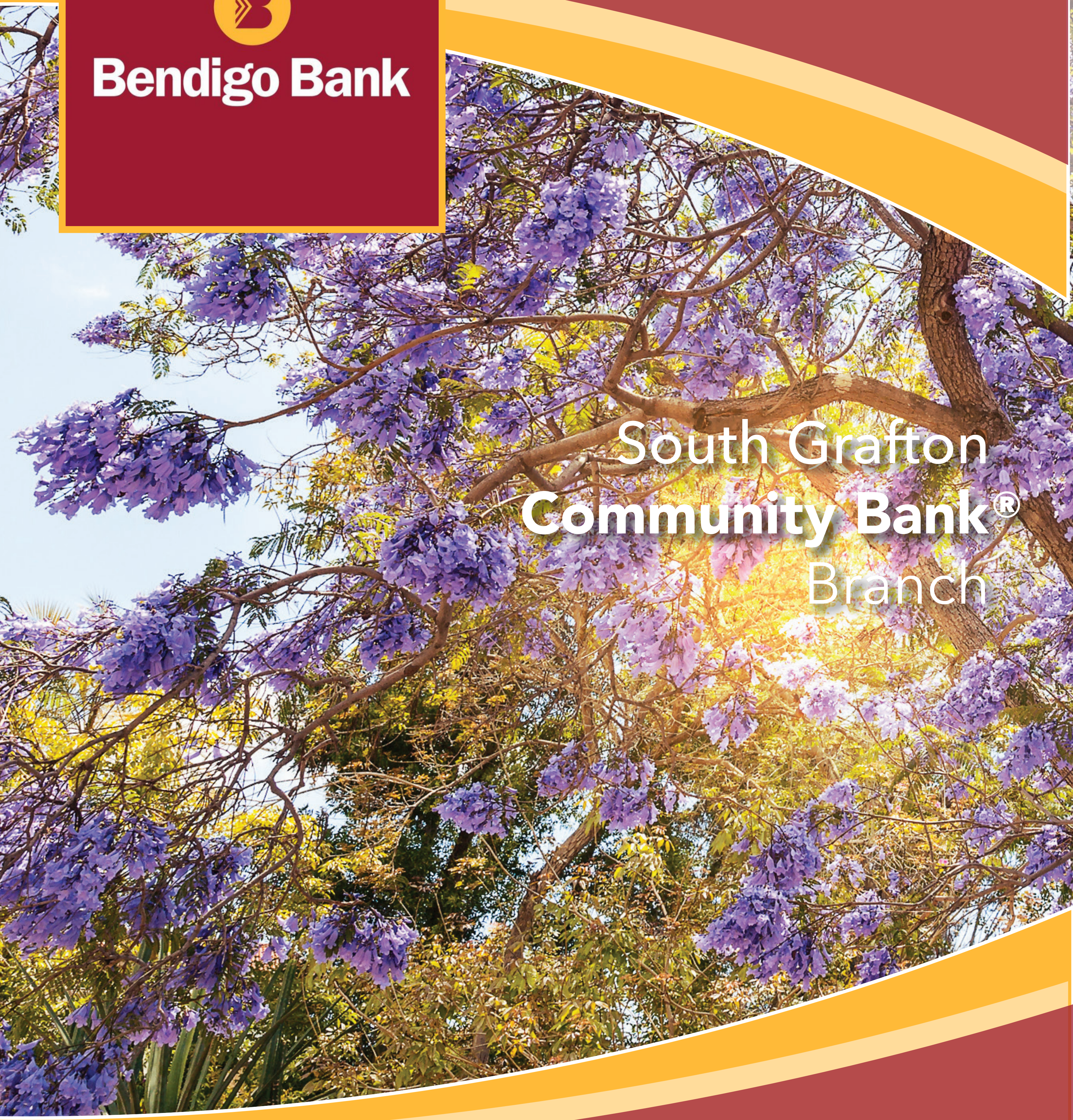
Clarence Valley Community
Financial Services Limited
ABN 35 093 945 370

Bendigo Bank



South Grafton Community Bank® Branch

2018 Annual Report

Contents

Chairman’s report

Year Ended 30th June 2018

The 2017/18 financial year saw further improvement in margins and profitability of the **Community Bank®** branch. In 2017/18 revenue was up 15.7% to $1,026,286 (2017: $887,183). Expenses were down 2% compared to the previous year with the net profit after tax up 67% to $164,031 (2017: $98,199). Earnings per share were up at 39.18¢ (2017: 23.45¢). Shareholder equity has increased 14.46% to $1,033,096 (2017: $902,561). We maintained a steady dividend at 8¢ per share.

The 2018 year saw a further significant contribution to revenue arising from the engagement in January 2016 of our Mobile Relationships Manager in Sydney, Corey Rodgers. Corey has continued to perform at a high level well supported by the team at South Grafton. Our improved financial position is due to a mix of reasons including better margins and an increase in the level of business principally attributable to the Sydney activity.

Mark Hunting, Jenny Dutton, Judy Hubbard, Lu Milligan, Vicki Hageman and Debby Thompson have worked enthusiastically and tirelessly to provide a friendly, efficient and customer focused service. They have responded positively to the changes in our business structure and provided essential back up and support to Corey Rodgers. On behalf of shareholders and the Board I thank our staff for their dedicated service.

During the course of the year Lee Devine returned to South Grafton. Those who have been with us from the early days will remember Lee as a customer service officer at South Grafton. Lee has returned to the **Community Bank®** working in a community engagement role as well as being available for casual relief. In her community engagement role Lee is responsible for strengthening the relationship between the **Community Bank®** and community organisations supported by the **Community Bank®.** It is important for the community to understand the unique value proposition offered by the **Community Bank®**. It remains the case that there is nothing comparable. The greater the community support for the bank the more support the **Community Bank®** can give back to the community.

In respect of community involvement, in 2018 we completed our contribution to the purchase of a bus by Grafton Community Bus Inc. which has been in service since September 2017. Our total contribution to that project was $50,000.00. It is gratifying to see such a worthy community organisation continue its good work with the assistance of the **Community Bank®**. This demonstrates the uniqueness and strength of the relationship between the **Community Bank®** and its community.

The **Community Bank®** also contributed $4,000.00 to support the Jacaranda Festival Committee in its delivery of this very important festival. In addition the **Community Bank®** provided funding to bring David Helfgott to Grafton being a further contribution to the cultural experience of our wonderful city. These contributions were in addition to the support the **Community Bank®** provides to 30 local cultural, educational and sporting organisations each year.

The year should not pass without reference to the Banking Royal Commission which has been the single most significant event impacting upon the financial landscape in which we operate. Although the focus of the Royal Commission so far as it has been reported in the news has been around the misdeeds of some of the major financial institutions, the fallout or flow on effects of this scrutiny of financial practices will affect us. Bendigo Bank has largely escaped criticism although the Bank has reported to the Royal Commission that there are some circumstances surrounding rural loans which may be subject to comment in the final report. However, Bendigo’s more conservative lending practices has left it largely unscathed from the enquiry to date.

Chairman's report (continued)

Nevertheless, Bendigo Bank has instituted policy changes which have impacted upon business. Some of these policy changes have been driven by the regulators and some have been driven by internal decisions from Bendigo in advance of any regulatory recommendations. Some of the major decisions which have affected and will continue to affect our business include the new policy that banks will not refinance interest only loans so that borrowers with such loans will need to move to principal and interest payments at the conclusion of the interest only term. Bendigo Bank has also tightened up on lending criteria so that a more realistic approach is taken in relation to the household expenditure in determining loan serviceability.

In addition to the above, Bendigo has discontinued all referrals from loan brokers. As a consequence a number of referral arrangements we had in place until recently have been terminated. This will impact upon the volume of business Corey Rodgers is likely to write in the short term. He will need to rebuild his referrer network from referrers fitting the new requirements of Bendigo Bank.

I also thank my fellow Board members for their voluntary contribution to the work of the Board over the past 12 months. Recently Ian McGaw resigned from the Board for personal reasons. Ian has been a valued Board member since 2003 and provided many years of valuable service to the **Community Bank®**. I acknowledge Ian's contribution to the success of the **Community Bank®** and our company and thank him for his service.

For the year ahead I expect that most of the growth in our lending book will come from the activities of our Mobile Relationships Manager in Sydney. However, his activities will be impacted by the changes in Bendigo Bank policy and by the softening Sydney property market. Corey is working in a part of Sydney that is earmarked for rapid growth and I believe our medium to long term prospects are very encouraging.
In conclusion I again thank our customers and shareholders for their continued support of the branch.

The branch offers an extensive range of services within and beyond banking. Those services include financial and wealth planning as well as insurance. The current climate presents continued challenges but also opportunities. The **Community Bank®** branch is well positioned, enjoys a robust balance sheet and continues to receive strong community support.

Peter James
Chairman

Manager’s report

Year Ended 30th June 2018

As our 18th full year of business ends, we reflect on what I consider to be a very solid performance. Again, we finished the year stronger than we anticipated. This is especially pleasing considering the changes that have occurred over the last 12 months within the finance industry, some of which were to changes to both “interest only” loans and a tightening of policy and assessment around personal “declared living expenses”.

Completing our 14th year of profit, we managed to grow our book to just over $142 million. Although our primary area of growth was within the Sydney market from our mobile lender based there, our local market share remains sound and we continue to welcome and explore new business opportunities whenever they arise.

As at 30 June 2018, customer numbers remain steady at 2,789. Staff completed 29,188 across counter transactions, an average of 561 per week.

Our ATM continues to provide a reliable service for both Bendigo Bank and other bank customers and continues to exceed our over the counter transactions on a weekly basis.

This year saw further consolidation of our team with both our Financial Planner, Sarah Woods, and our Mobile Lender based out of Sydney in Corey Rodgers contributing to our results. In addition, this year we have welcomed a new member to our team in Lee Devine. Lee originally worked with us in our early days but moved to Queensland and has now returned to the valley. Lee primarily works in a community engagement role, supporting and strengthening the relationships we have with the many organisations we support across the valley.

Of course, our existing team of dedicated staff, Jenny, Judy, Lu, Vicki and Debby, together with our business banking team of Brett and Anna, continue to provide a high standard of service in a happy, caring and friendly environment. It is this level of service that helps set us apart from our competition.

I would also like to personally thank the continued dedication and support of the Directors, and the ongoing loyalty and support of shareholders and customers. Together, their support is highly valued and is the key to the ongoing success of this business.

We continue to be involved with many different sponsorships throughout the Clarence Valley. Too many to mention individually, this year we have put back in excess of $106,971 into our local community via school groups, sporting groups / clubs, cultural and community associations. A remarkable effort.

It is because of this **Community Bank®** model and our customers who support and bank with us that we are able to continue to assist these organisations within the community. Again I thank more than 2,700 customers who do business with us who have made the company's contributions to the community possible.

Mark Hunting
Manager

Bendigo & Adelaide Bank report

Year Ended 30th 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
Executive Community Engagement

Treasurer's report

Year Ended 30th June 2018

As the table below indicates the 2017/18 financial year shows an improved profit after tax compared with the previous four years.

The Community Bank is still operating in a low interest, and subdued economic environment. With increased local and metropolitan efforts from the Manager, Staff, and Mobile Lender our revenues have increased. Employment costs have marginally increased and most other costs have been contained.

	2018	2017	2016	2015	2014
	$	$	$	$	$
Revenues	1,026,286	887,183	732,652	696,109	704,595
Employee Expenses	539,471	522,765	444,745	366,343	339,755
Depreciation/Amortisation	13,149	30,487	32,981	33,209	33,702
Other Expenses	173,941	188,813	177,460	185,662	170,446
Charitable Donations & Sponsorships	75,953	11,603	21,967	35,447	45,080
Profit After Tax	164,031	98,202	51,857	52,036	80,468

Some comments can be made:-

1. The Board has continued to be very prudent in its decision making process. It is very aware of the risk capital shareholders contributed at the establishment of our **Community Bank®** and a priority is to enhance that investment.

2. In early 2016, the Board appointed a Sydney based Mobile Lender. The Board was aware the cost of this appointment would initially exceed revenue generated. Over the last 12 months the contribution from our Mobile Lender has enhanced the company's revenue stream. Notwithstanding the recent downturn in Sydney property prices and a tightening of lending criteria throughout the banking sector it is expected the positive contribution from our Mobile Lender will continue, albeit at a slower rate. It is a difficult and competitive environment and the decision by Bendigo Bank to not use brokers as a source of referrals has meant that other non-broker sources need to be established.

3. The company's balance sheet shows the company is in a strong financial position. Apart from Term Deposits of some $740,000 the company is also building a listed share portfolio (cost of $196,000 at 30 June 2018). Employee Provisions increased to $84,032. Shareholder equity increased to $1,033,096. It is pleasing to note that for the first time annual revenue exceeded a million dollars as did the company's net book assets.

4. Community donations and sponsorships continue to be made across a wide and varied range of organisations in the Clarence Valley. This year $75,953 was contributed including a major donation towards the cost of a new community bus (Bendigo Ben) and continued support for The Pelican Playhouse by a financial contribution to upgrade their sound system. Other major organisations such as Jacaranda Festival continue to be supported.

Treasurer's report (Continued)

Year Ended 30th June 2018

In the near future it is unlikely buoyant economic conditions will emerge. The challenge is therefore to concentrate on what we do well and manage the company in a prudent way. The company is currently financially stable and the Board has maintained the dividend rate it has declared over the last few years. The message to all is `why would you bank anywhere else'.

Derek W Alden B.Econ (Syd) FCA
Treasurer

Directors' report

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

Directors

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

Name and Position Held	Qualifications	Experience and Other Directorships
Peter James Director since 11/08/2000 Chairman	B. Juris, LLB	Director - Naupe Holdings Pty Ltd, GSD Distributors Pty Ltd, Solicitor in private practice since 1978. Former Councillor of Grafton City Council.
Derek Alden Director since 11/08/2000 Director	B. Econ (Syd) F.C.A. JP	Many years Principal of Chartered Accountancy practice. Treasurer since commencement of the Community Bank.
Mervyn Smidt Director since 15/09/2003 Director	Motor Engineer	Director - Smidt Holdings Pty Ltd. Treasurer - South Grafton Neighbourhood Watch. Board member and committee member of several community groups.
Anthony Wade Director since 11/08/2000 Director	Chef Aborist	Self employed for majority of working life. Former Councillor in local government.
Ian McGaw Director since 15/09/2003 Director	No Tertiary Qualifications	Over 40 years in planning, organising, displaying and reporting for agricultural exhibitions. Past Director- 22 years with Caringa Enterprises Life Member Royal Agricultural Society of NSW
Brian Heath Director since 05/06/2008 Director	Bachelor of Science Diploma in Education	Principal of a Secondary School (6 years). Youth Director Grafton Rotary Club (4 years).
Karen Toms Director since 08/03/2012 Director	Certificate IV Business Administration	Councillor Clarence Valley Council, Director-JKT & Sons Pty Ltd, Member and Chair of numerous Clarence Valley Council and external organisations advisory commitees.
Tania Williams Director since 14/04/2016 Director	B Arts Grad. Cert. Leadership	Experience in the media and education sectors. Substantial small business experience, hospitality and event management.

Directors' report (continued)

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

Apart from as detailed in **Note 19(c)** no Directors have material interests in contracts or proposed contracts with the company.

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Peter James	11	10
Derek Alden	11	11
Mervyn Smidt	11	11
Anthony Wade	11	11
Ian McGaw	11	10
Brian Heath	11	9
Karen Toms	11	9
Tania Williams	11	9

A - The number of meetings eligible to attend
B - The number of meetings attended

Company Secretary
Brian Heath has been the Company Secretary of Clarence Valley Community Financial Services Limited since 2017.

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.

Review of operations
The profit of the company for the financial year after provision for income tax was $164,031 (2017 profit: $98,199), which is a 67% increase as compared with the previous year.

Dividends
A fully franked final dividend of 8 cents per share was declared and paid during the year for the year ended 30 June 2017.

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.

Directors' report (continued)

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.

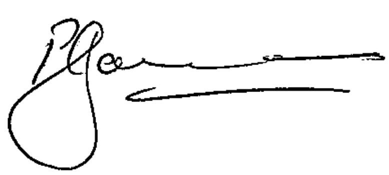
Environmental regulations
The company is not subject to any significant environmental regulation.

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 Officers Insurance for the benefit of Officers of the company against any liability incurred 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 out at page 11 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 Grafton on 13 September 2018.



Peter James
Chairman

Auditor independence declaration

rsd Audit

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Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors Clarence Valley Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 18 September 2018

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial Statements

Statement of profit or loss and other comprehensive income for the year ended 30th June 2018

	Note	2018 $	2017 $
Revenue	2	1,026,286	887,183
Expenses			
Employee benefits	3	(539,471)	(522,765)
Depreciation and amortisation	3	(13,149)	(30,487)
Finance	3	-	(36)
Bad and doubtful debts	3	(25)	(193)
Administration and general		(103,277)	(106,890)
Occupancy		(31,613)	(28,541)
IT		(21,706)	(22,457)
ATM		(17,320)	(16,004)
Other		-	(14,695)
		(726,561)	**(742,068)**
Operating profit before charitable donations & sponsorships		**299,725**	**145,115**
Charitable donations and sponsorships		(75,953)	(11,603)
Profit before income tax		**223,772**	**133,512**
Income tax expense	4	(59,741)	(35,313)
Profit for the year		**164,031**	**98,199**
Other comprehensive income		-	-
Total comprehensive income for the year		**164,031**	**98,199**
Profit attributable to members of the company		164,031	98,199
Total comprehensive income attributable to company members		**164,031**	**98,199**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):

- basic earnings per share	17	39.18	23,45

These financial statements should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Statement of financial position as at 30th June 2018

Assets	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	5	87,157	126,104
Trade and other receivables	6	101,412	94,429
Financial assets	7	938,791	752,416
Total current assets		**1,127,360**	**972,949**
Non-current assets			
Plant and equipment	8	5,668	6,738
Intangible assets	9	28,242	39,539
Deferred tax assets	4	20,330	17,058
Total non-current assets		**54,240**	**63,335**
Total assets		**1,181,600**	**1,036,284**
Liabilities			
Current liabilities			
Trade and other payables	11	32,813	38,105
Current tax liability	4	31,659	26,927
Provisions	12	76,910	61,380
Total current liabilities		**141,382**	**126,412**
Non-current liabilities			
Provisions	12	7,122	7,311
Total non-current liabilities		**7,122**	**7,311**
Total liabilities		**148,504**	**133,723**
Net assets		**1,033,096**	**902,561**
Equity			
Issued capital	13	418,708	418,708
Retained earnings	14	514,388	383,853
Reserves	16	100,000	100,000
Total equity		**1,033,096**	**902,561**

These financial statements should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Statement of changes in equity for the year ended 30th June 2018

	Note	Issued Capital $	Retained Earnings $	Reserves $	Total Equity $
Balance at 1 July 2017		418,708	383,853	100,000	902,561
Profit for the year		-	164,031	-	164,031
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**164,031**	**-**	**164,031**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	15	-	(33,496)	-	(33,496)
Balance at 30 June 2018		**418,708**	**514,388**	**100,000**	**1,033,096**
Balance at 1 July 2016		418,708	319,151	100,000	837,859
Profit for the year		-	98,199	-	98,199
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		**-**	**98,199**	**-**	**98,199**
Transactions with owners, in their capacity as owners					
Dividends paid or provided	15	-	(33,497)	-	(33,497)
Balance at 30 June 2017		**418,708**	**383,853**	**100,000**	**902,561**

These financial statements should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Statement of cash flows for the year ended 30th June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		1,083,572	933,666
Payments to suppliers and employees		(862,494)	(794,441)
Dividends received		6,284	4,921
Interest paid		-	(36)
Interest received		12,624	13,655
Income tax paid		(58,281)	(8,981)
Net cash provided by / (used in) operating activities	18b	**181,705**	**148,784**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investments		130,426	-
Purchase of property, plant and equipment		(781)	(9,616)
Purchase of investments		(316,800)	(11,848)
Purchase of intangible assets		-	-
Net cash flows from / (used in) investing activities		**(187,155)**	**(21,464)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		(33,497)	(31,577)
Net cash provided by / (used in) financing activities		**(33,497)**	**(31,577)**
Net increase / (decrease) in cash held		**(38,947)**	**95,743**
Cash and cash equivalents at beginning of financial year		126,104	30,361
Cash and cash equivalents at end of financial year	18a	**87,157**	**126,104**

These financial statements should be read in conjunction with the accompanying notes.

Notes to Financial Statements

Notes to the Financial Statements for the year ended 30th June 2018

These financial statements and notes represent those of Clarence Valley Community Financial Services Limited. Clarence Valley Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 13 September 2018.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at South Grafton.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation 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.

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Manager and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) Comparitive figures

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

As a result of rounding, the 2017 comparitive figures have been adjusted in Total Comprehensive Income with a resultant $1.00 adjustment in Net Assets shown in the Statement of Financial Position.

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Employee benefits provision
Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax
The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment
The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(f) New and revised standards that are effective for these financial statements
There are no new and amended accounting policies that have been adopted by the company this financial year.

(g) New accounting standards for application in future periods
The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set out below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.
The main changes are:
a) Financial assets that are debt instruments will be classified based on:
   (i) the objective of the entity's business model for managing the financial assets; and
   (ii) the characteristics of the contractual cash flows.
b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods (continued)

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI) the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue. When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(g) New accounting standards for application in future periods (continued)

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

2. Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services
The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, dividend and other income
Interest income is recognised on an accrual basis using the effective interest rate method.

Dividend and other revenue is recognised when the right to the income has been established.
All revenue is stated net of the amount of goods and services tax (GST).

Notes to Financial Statements (continued)

2. Revenue (continued)

	2018 $	2017 $
Revenue		
Service commisions	1,003,934	867,145
	1,003,934	867,145
Other revenue		
Interest received	16,068	15,117
Other revenue	6,284	4,921
	22,352	20,038
Total revenue	**1,026,286**	**887,183**

3. Expenses

Operating expenses
Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation
The depreciable amount of all fixed assets is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements

The depreciation rates used for each class of depreciable asset are:

Class of asset	*Rate*	*Method*
Leasehold improvements	*20%*	*Straight Line*
Plant and equipment	*5-30%*	*Diminishing Value*

Gains/losses upon disposal of non-current assets
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Notes to Financial Statements (continued)

3. Expenses (continued)

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
Wages and salaries	445,235	417,990
Superannuation costs	54,999	65,260
Other costs	39,237	39,515
	539,471	522,765
Depreciation and amortisation		
Depreciation		
Leasehold improvements	-	8,093
Plant and equipment	1,852	11,097
	1,852	19,190
Amortisation		
Franchise fees	11,297	11,297
Establishment costs	-	-
Total depreciation and amortisation	13,149	30,487
Finance costs		
Interest paid	-	36
Bad and doubtful debts expenses / (recovery)	25	193
(Gain)/Loss on disposal of property, plant and equipment	-	-
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
Audit or review of the financial report	5,240	5,650

4. Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense. Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Notes to Financial Statements (continued)

4. Income tax (continued)

	2018 $	2017 $
a) The components of tax expense comprise:		
Current tax expense	65,490	42,133
Deferred tax expense	(3,272)	(4,885)
Recoupment of franking credits	(2,477)	(1,935)
Under/(over) provision of prior years	-	-
	59,741	**35,313**

b) Prima facie tax payable
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2018 $	2017 $
Prima facie tax on profit before income tax at 27.5% (2017 : 27.5%)	61,537	36,716
Less imputation credits	(2,477)	(1,935)
Add tax effect of:		
Gross up of franking credits on dividends	681	531
Under/(Over) provision of prior years	-	-
Non-deductible expenses	-	-
Income tax attributable to the entity	**59,741**	**35,312**
The applicable weighted average effective tax rate is:	26.70%	26.45%

c) Current tax liability:

Current tax relates to the following: *Current tax liabilities/(assets)*

	2018 $	2017 $
Opening balance	26,927	(4,290)
Income tax paid	(58,281)	(8,981)
Current tax	65,490	42,133
Recoupment of franking credits	(2,477)	(1,935)
	31,659	**26,927**

d) Deferred tax asset:

Deferred tax relates to the following:

	2018 $	2017 $
Deferred tax assets balance comprises:		
Accruals	-	-
Employee provisions	23,109	18,890
Deferred tax liabilities balance comprises:		
Accrued income	2,779	1,832
Net deferred tax asset / liability	**20,330**	**17,058**

Notes to Financial Statements (continued)

4. Income tax (continued)

	2018 $	2017 $
e) Deferred income tax included in income tax expense comprises:		
Decrease/ (increase) in deferred tax assets	(4,219)	(5,287)
(Decrease) /increase in deferred tax liabilities	947	402
Under/ (over) provision in prior years	-	-
	(3,272)	**4,885**

5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

	2018 $	2017 $
Cash at bank and on hand	87,157	126,104
	87,157	**126,104**

6. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

Current	2018 $	2017 $
Trade receivables	91,306	87,768
Other receivables	10,106	6,661
	101,412	**94,429**

Credit Risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

Notes to Financial Statements (continued)

6. Trade and other receivables (continued)

2018	Gross amount $	Not past due $	Past due but not impaired <30 days $	31-60 days $	>60 days $	Past due & impaired $
Trade receivables	91,306	91,306	-	-	-	-
Other receivables	10,106	10,106	-	-	-	-
Total	**101,412**	**101,412**	**-**	**-**	**-**	**-**
2017						
Trade receivables	87,768	87,768	-	-	-	-
Other receivables	6,661	6,661	-	-	-	-
Total	**94,429**	**94,429**	**-**	**-**	**-**	**-**

7. Financial assets

Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, reevaluates this designation at the end of each reporting period.

Held to maturity investments

The company classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the company intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at Fair Value through Profit or Loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

7. Financial assets (continued)

Measurement of financial assets
At initial recognition, the entity measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

The *effective interest* method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:
- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Impairment of financial assets
The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

Notes to Financial Statements (continued)

7. Financial assets (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of noncash assets or liabilities assumed, is recognised in profit or loss.

As at 30th June 2018 financial assets of the company comprise

	2018 $	2017 $
Held to maturity financial assets		
Term deposits	741,965	629,736
Available for sale financial assets		
Listed investments (market value 30 June 2018 $222,634)	196,826	122,680
	938,791	**752,416**

The effective average interest rate on the bank deposits was 2.3% (2017:2.4%). These deposits have a term of 9-12 months, maturing between August 2018 to March 2019.

Notes to Financial Statements (continued)

8. Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

	2018 $	2017 $
Leasehold improvements		
At cost	99,823	99,823
Less accumulated depreciation	(99,823)	(99,823)
	-	-
Plant and equipment		
At cost	55,971	55,189
Less accumulated depreciation	(50,303)	(48,451)
	5,668	**6,738**
Total plant and equipment	**5,668**	**6,738**

Notes to Financial Statements (continued)

8. Plant and equipment (continued)

Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2018 (2017:None)

	2018 $	2017 $
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	-	8,093
Depreciation expense	-	(8,093)
Balance at the end of the reporting period	-	-
Plant and equipment		
Balance at the beginning of the reporting period	6,738	8,220
Additions	782	9,615
Depreciation expense	(1,852)	(11,097)
Total plant and equipment	**5,668**	**6,738**

9. Intangible Asset

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

	2018 $	2017 $
Franchise fee		
At cost	56,484	56,484
Less accumulated amortisation	(28,242)	(16,945)
	28,242	**39,539**
Total intangible assets	**28,242**	**39,539**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	39,539	50,836
Additions	-	-
Amortisation expense	(11,297)	(11,297)
Balance at the end of the reporting period	**28,242**	**39,539**

Notes to Financial Statements (continued)

10. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.
Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.
Nonderivative financial liabilities other than financial guarantees are subsequently measured at amortised cost.
Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

11. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Current	2018 $	2017 $
Unsecured liabilities		
Trade creditors	2,832	14,846
Other creditors and accruals	29,981	23,259
	32,813	**38,105**

The average credit period on trade and other payables is one month.

12. Provisions

Short-term employee benefits
Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.
The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.
The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Notes to Financial Statements (continued)

12. Provisions (continued)

	2018 $	2017 $
Current		
Employee benefits	76,910	61,380
Non-current		
Employee benefits	7,122	7,311
Total provisions	**84,032**	**68,891**

13. Share capital
Ordinary shares are classified as equity.

418,708 Ordinary shares fully paid	418,708	418,708
	418,708	**418,708**

a) Movements in share capital

Fully Paid ordinary shares:		
At the beginning of the reporting period	418,708	418,708
Shares issued during the year	-	-
At the end of the reporting period	**418,708**	**418,708**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

b) 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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:
  (a) 20% of the profit or funds of the company 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; and
(ii) 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%.

Notes to Financial Statements (continued)

13. Share Capital (continued)

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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

14. Retained earnings

	2018 $	2017 $
Balance at the beginning of the reporting period	383,853	319,151
Profit after income tax	164,031	98,199
Dividends paid	(33,496)	(33,497)
Balance at the end of the reporting period	**514,388**	**383,853**

15. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year	2018 $	2017 $
Final ordinary dividend of 8 cents per share (2017: 8 cents) fully franked at the tax rate of 27.5% (2017: 27.5%).	33,496	33,497

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

16. Reserves

The reserve represents the establishment of a dividend equalisation reserve out of retained earnings.

	2018 $	2017 $
Dividend equalisation reserve		
Balance at the beginning of the reporting period	100,000	100,000
Fair value movements during the period	-	-
Balance at the end of the reporting period	**100,000**	**100,000**

Notes to Financial Statements (continued)

17. Earning per share

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

	2018 $	2017 $
Basic earnings per share (cents)	39.18	23.45
Earnings used in calculating basic earnings per share	164,031	98,199
Weighted average number of ordinary shares used in calculating basic earnings per share	418,708	418,708

18. Statement of cash flows

a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:	2018 $	2017 $
Cash and cash equivalents (note 5)	87,157	126,104
As per the statement of cash flow	**87,157**	**126,104**

b) Reconciliation of cash flow from operators with profit after income tax

	2018	2017
Profit after income tax	164,031	98,199
Non-cash flows in profit		
- Depreciation & Amortisation	13,149	30,487
Changes in assets and liabilities		
- (increase) /decrease in trade and other receivables	(6,983)	(21,653)
- (increase) /decrease in deferred tax asset	(3,272)	(4,885)
- Increase/ (decrease) in trade and other payables	(5,293)	(3,805)
- Increase/ (decrease) in current tax liability	4,732	31,217
- Increase/ (decrease) in provisions	15,341	19,224
Net cash flows from operating activities	**181,705**	**148,784**

Notes to Financial Statements (continued)

19. Key management personnel and related party disclosures

a) Key management personnel
Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.
b) Other related parties
Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.
c) Transactions with key management personnel and other related parties
Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value $
Small Maxwell Pty Derek Alden	Accounting/Share Registry Services	23,153

The Directors of Clarence Valley Community Financial Services have not taken up the Bendigo and Adelaide Bank Limited's Community Bank® Directors Privileges package. The package is available to all Directors who can elect or avail themselves of the benefits based on their personal banking with the branch.

d) Key management personnel share holdings

The number of ordinary shares in Clarence Valley Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2018	2017
Peter James	1,001	1,001
Derek Alden	1	1
Mervyn Smidt	11,000	11,000
Anthony Wade	3,001	1,501
Ian McGaw	5,000	5,000
Brian Heath	-	-
Karen Toms	-	-
Tania Williams	-	-
Stephen Ward	-	6,001
Laurence Marchant	-	4,001
Each share held has a paid up value of $1 and is fully paid.	20,003	28,505

Notes to Financial Statements (continued)

19. Key management personnel and related party disclosures (continued)

e) Other key management transactions

There have been no other transactions with key management or related parties other than those described on the previous page.

20. Events after the reporting period

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

21. Contingent liabilities and contingent assets

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

22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being the Clarence Valley, NSW with one Mobile Lender located in Sydney. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited which accounts for 98% of the revenue (2017: 98%).

23. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2018 $	2017 $
Payable		
- No later than 12 months	15,971	15,643
- Between 12 months and five years	23,389	37,804
- Greater than five years	-	-
Minimum lease payments	**39,360**	**53,447**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

24. Company details

The registered office is 50 Victoria Street, Grafton and the principal place of business is 62 Skinner Street, South Grafton.

Notes to Financial Statements (continued)

25. Financial instrument risk

Financial risk management policies.
The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific financial risk exposure and management
The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables. The totals for each category of financial instruments measured in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies are as follows:

	Note	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	87,157	126,104
Trade and other receivables	6	101,412	94,429
Financial assets	7	938,791	752,416
Total financial assets		**1,127,360**	**972,949**
Financial Liabilities			
Trade and other payables	11	32,813	38,105
Total financial liabilities		**32,813**	**38,105**

a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures
The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2017: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

Notes to Financial Statements (continued)

25. Financial instrument risk (continued)

b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2018	**Weighted average interest rate**	**Total**	**Within 1 year**	**1 to 5 years**	**Over 5 years**
Financial assets	**%**	**$**	**$**	**$**	**$**
Cash and cash equivalents	0.30	87,157	87,157	-	-
Trade and other receivables	-	101,412	101,412	-	-
Financial assets	2.30	938,791	938,791	-	-
Total anticipated inflows		**1,127,360**	**1,127,360**	**-**	**-**
Financial Liabilities					
Trade and other payables	-	32,813	32,813	-	-
Total expected outflows		**32,813**	**32,813**	**-**	**-**
Net inflow/ (outflow) on financial instruments		**1,094,547**	**1,094,547**	**-**	**-**

30 June 2016	**Weighted average interest rate**	**Total**	**Within 1 year**	**1 to 5 years**	**Over 5 years**
Financial assets	**%**	**$**	**$**	**$**	**$**
Cash and cash equivalents	1.50	126,104	126,104	-	-
Trade and other receivables	-	94,429	94,429	-	-
Financial assets	2.40	752,416	752,416	-	-
Total anticipated inflows		**972,949**	**972,949**	**-**	**-**
Financial Liabilities					
Trade and other payables	-	38,105	38,105	-	-
Total expected outflows		**38,105**	**38,105**	**-**	**-**
Net inflow/ (outflow) on financial instruments		**934,844**	**934,844**	**-**	**-**

Notes to Financial Statements (continued)

25. Financial instrument risk (continued)

c) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company has no exposure to fluctuations in foreign currency, or any exposure to a material risk.

The financial instruments that primarily expose the company to interest rate risk are fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2018		
+/-1% in interest rates (interest income)	10,259	10,259
+/-1% in interest rates (interest expense)	-	-
	10,259	**10,259**
Year ended 30 June 2017		
+/-1% in interest rates (interest income)	8,785	8,785
+/-1% in interest rates (interest expense)	-	--
	8,785	**8,785**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year. The company has no exposure to fluctuations in foreign currency.

Directors' Declaration

In accordance with a resolution of the Directors of Clarence Valley Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 38 are in accordance with the Corporations Act 2001 and:

    (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    (ii) give a true and fair view of the company's financial position as at 30 June 2018 and of the performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Peter James
Director

Signed at Grafton on 13 September 2018.

Independent auditor report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CLARENCE VALLEY COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Clarence Valley Community Services Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(a) the financial report of Clarence Valley Community 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 then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the entity 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.

Independent auditor report (continued)

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor report (continued)

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, 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, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 18 September 2018

Your **Community Bank®** branch staff

Mark Hunting
Branch Manager

Jenny Dutton
Customer Relationship Manager

Vicki Hageman
Customer Service Officer

Lee Devine
Customer Service Officer

Judy Hubbard
Snr Customer Service Officer

Lu Milligan
Customer Service Officer

Debby Thompson
Customer Service Officer

Corey Rodgers
Mobile Relationship Manager

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