

2018 Annual Report



Coolalinga & Districts
Community Finance Limited

ABN 24 117 500 455

Coolalinga & Districts **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2018

This has been a challenging year for us here at Coolalinga as the Northern Territory as a whole, has experienced an economic downturn but I am pleased to report that we have managed to attain a healthy profit for the year thanks to our hardworking staff in the branch and the support of our customers and shareholders.

We were again able to offer our shareholders a fully franked dividend of 8% for the year.

I am also pleased to report that we have reached a total return to our community of \$843,000 since opening our branch by way of sponsorships and donations. This is indeed a good effort and makes us well on the way to achieving our goal of \$1 million by the end of 2019. Some of our sponsorships this year included:

- Sponsorship of an Ablution block for the Litchfield Football Club
- Outdoor shades and furniture for the Palmerston Game Fishing Club
- Season sponsorships for the Satellite City BMX Club, Palmerston Rugby Union Club and the Palmerston Netball Association
- Douglas Daly Development Association
- McMinns Recreation Reserve – upgrade to electrical supply and sponsorship of the annual Bushcare Day
- NT Cancer Council
- Smile-A-Mile rural children's activities
- Sponsorships to allow local non-for-profit associations to fundraise at the annual Fred's Pass Show.

Our Facebook page has become popular with both our customers and shareholders. This page is updated regularly and allows everyone to keep up to date with all of our Branch news.

We farewelled our longstanding Branch Manager, Lucia English, during the year and welcomed Steve Buethke as our new Manager. We also welcomed two new local young ladies, Rachel and Kayleigh who both wished to pursue a career in the financial industry.

I must acknowledge our hardworking Board and thank them for their support. Each one of them have made an outstanding contribution to the management of our company throughout the year.



Jan Young
Chairman

Manager's report

For year ending 30 June 2018

I am pleased to be able to have this opportunity to make my first Annual Report as Manager of the Coolalinga & Districts **Community Bank**[®] Branch.

The 2017/18 year was a particularly challenging time in the financial industry as we witnessed further tightening of prudential requirements across all Banks and markets as well as the local challenges experienced with the slow down and completion of the Impex construction phase. The flow on effect was felt throughout our community with increasing pressure placed on our small business customers and the decrease in property market values affecting all. Throughout this period it has been very pleasing to see our **Community Bank**[®] branch maintained growth and continue to service our customers and the community.

In line with our values and commitment to enhancing our community we have continued to provide vital funding for local community groups and projects. Throughout the year it was fantastic to realise we had passed the \$840,000 mark in funds distributed since inception. Moving over from my previous employment it has given me a special feeling being associated with a unique, innovating and collaborative banking model, that whilst enabling us as staff members to help our customers reach their financial goals and dreams, we are also contributing to our own community success.

To keep up to date with the great work happening within the community and Coolalinga & Districts **Community Bank**[®] Branch please follow us on our Facebook page www.facebook.com/CoolalingaDistrictsCommunityBankBranch

2017 saw the farewell of our long serving and much loved Branch Manager, Lucia English. Luckily we haven't said a complete goodbye but have welcomed her into the Bendigo Bank role of Mobile Relationship Manager – still looking after our district as well as others. With the move for Lucia and the relocation of our beautiful Customer Relationship Officer, Kiara, back to WA, it enabled us to realise the potential of our existing staff to step up which they have grasped enthusiastically. It was a pleasure to promote Julie Spedding to the position of Senior Customer Service Officer and Rebecca Brewster has started her new role as Customer Relationship Officer. To round off the branch it was a very proud moment last December when the Board decided to recruit two school leavers to take on a traineeship position with us. Rachael Hayden and Kayleigh Mitchell have settled in and have shown great aptitude and self-drive to ensure that they will get the best out of this experience. I am looking forward to seeing what the future holds for all.

My sincere thanks to you our shareholders, our passionate and hardworking Board, our loyal customers and my fabulous **Community Bank**[®] branch team. With your continued support and through our relationships with our community groups I am looking forward to a prosperous and enjoyable 2018/19.



Steve Buethke
Branch Manager

Directors' report

For the financial year ended 30 June 2018

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Janice Susan Young

Chair

Occupation: Administration Officer

Qualifications, experience and expertise: Business Diploma majoring in Law and Economics, HR Certificate, Property Management Certificate (NT), Certificate in Financial Planning, various short course management certificates.

Jan worked as the Marketing Manager, Wharf Precinct Manager and Cruise ship Manager for the Darwin Port Corporation for 23 years. As a life member of Tourism Top End, she has served on their Board for over 10 years and actively been involved in many major tourism projects within the NT, nationally and internationally. She has also served as President of the Darwin SKAL tourism group on three occasions and is currently an Ambassador for SKAL International. Jan is currently Chairman of the Board, having held the position for 8 years. She also provides part-time administrative services to the Board.

Special responsibilities: Chair of the Board and member of all committees.

Interest in shares: 12,201

Deane Henry Walkley

Treasurer

Occupation: Company Director

Qualifications, experience and expertise: Company Director for three Pty Ltd companies. Deane has experience in public office, marketing, financial reports, company statements, ASIC regulations, and ATO compliance and regulations. He also has an Associate Diploma in Electrical Engineering and is a registered electrical contractor.

Special responsibilities: Treasurer, Share Registrar, and member of the Marketing Committee.

Interest in shares: 600

Lorna Jamieson McLaughlin

Secretary

Occupation: Company Director

Qualifications, experience and expertise: Lorna has been involved in community service organisations for most of her life and is currently the Vice-President of the NT Country Womens Association and Treasurer of the CWA Litchfield Branch. Her skills include accounting, training, IT and marketing.

Special responsibilities: Company Secretary and member of all committees.

Interest in shares: 10,000

Directors' report (continued)

Directors (continued)

Natalie Yvette Bell

Vice Chair

Occupation: Events and Marketing Manager

Qualifications, experience and expertise: A born and bred Territorian, Natalie has strong local knowledge and sound business networks with more than ten years' experience working in government, private and not-for-profit sectors. Following completion of her Bachelor degrees from UniSA in Marketing & International Studies, as well as a Bachelor of European Business from France, Natalie returned to Darwin to pursue a career in public relations and events management. Over the last ten years she has held positions in marketing, events and public relations. Prior to joining Associated Advertising & Promotions as the Marketing, PR & Events Manager, she was the Media and Communications Manager for the NT Police Task Force Themis and previously managed a large portfolio of events and sponsorships for TIO. Natalie has previously lectured in PR at CDU and is the recipient of numerous event industry awards, including the National Winner of the 2012 Future Leader Award and National Winner in 2015 for Public Event of the Year from Meetings & Events Australia. Natalie is currently completing a Masters degree in Public Relations. Natalie is a strong supporter of the local community and has actively been involved as a committee member and director for numerous not for profit organisations and sporting clubs.

Special responsibilities: Vice Chair, Member of all committees.

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 Lorna McLaughlin. Lorna was appointed to the position of secretary on 27 October 2016.

Lorna has skills in accounting, training, IT and marketing.

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 \$
164,501	226,550

Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	8	64,001

Directors' report (continued)

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in notes 19 and 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Janice Susan Young	12	12
Deane Henry Walkley	12	10
Lorna Jamieson McLaughlin	12	11
Natalie Yvette Bell	12	10

Directors' report (continued)

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 8.

Signed in accordance with a resolution of the board of directors at Coolalinga, Northern Territory on 24 September 2018.



Janice Susan Young,
Chair

Auditor's independence declaration



Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Coolalinga & Districts Community Finance Limited

As lead auditor for the audit of Coolalinga & Districts Community Finance Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

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

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

David Hutchings
Lead Auditor

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Financial statements

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

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	1,089,239	1,153,442
Employee benefits expense		(396,153)	(470,705)
Charitable donations, sponsorship, advertising and promotion		(187,793)	(81,018)
Occupancy and associated costs		(88,558)	(90,306)
Systems costs		(21,428)	(22,891)
Depreciation and amortisation expense	5	(46,294)	(41,291)
Finance expenses		(1,311)	-
General administration expenses		(120,694)	(134,180)
Profit before income tax expense		227,008	313,051
Income tax expense	6	(62,507)	(86,501)
Profit after income tax expense		164,501	226,550
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		164,501	226,550
Earnings per share		¢	¢
Basic earnings per share	23	20.56	28.32

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	668,701	673,851
Trade and other receivables	8	94,915	98,145
Current tax asset	11	11,989	-
Total current assets		775,605	771,996
Non-current assets			
Property, plant and equipment	9	268,075	203,370
Intangible assets	10	43,247	56,677
Total non-current assets		311,322	260,047
Total assets		1,086,927	1,032,043
LIABILITIES			
Current liabilities			
Trade and other payables	12	16,711	85,857
Borrowings	13	15,829	-
Current tax liabilities	11	-	68,062
Provisions	14	13,102	35,090
Total current liabilities		45,642	189,009
Non-current liabilities			
Borrowings	13	22,471	-
Provisions	14	1,065	513
Deferred tax liabilities	11	19,208	8,481
Total non-current liabilities		42,744	8,994
Total liabilities		88,386	198,003
Net assets		998,541	834,040
EQUITY			
Issued capital	15	765,550	765,550
Retained earnings	16	232,991	68,490
Total equity		998,541	834,040

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		765,550	(30,058)	735,492
Total comprehensive income for the year		-	226,550	226,550
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(128,002)	(128,002)
Balance at 30 June 2017		765,550	68,490	834,040
Balance at 1 July 2017		765,550	68,490	834,040
Total comprehensive income for the year		-	164,501	164,501
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	-	-
Balance at 30 June 2018		765,550	232,991	998,541

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		1,191,884	1,243,200
Payments to suppliers and employees		(953,571)	(1,065,656)
Interest received		12,949	12,088
Interest paid		(1,311)	-
Income taxes paid		(131,831)	423
Net cash provided by operating activities	17	118,120	190,055
Cash flows from investing activities			
Payments for property, plant and equipment		(50,137)	(21,254)
Payments for intangible assets		-	(67,153)
Net cash used in investing activities		(50,137)	(88,407)
Cash flows from financing activities			
Repayment of borrowings		(9,132)	-
Dividends paid	21	(64,001)	(64,001)
Net cash used in financing activities		(73,133)	(64,001)
Net increase/(decrease) in cash held		(5,150)	37,647
Cash and cash equivalents at the beginning of the financial year		673,851	636,204
Cash and cash equivalents at the end of the financial year	7(a)	668,701	673,851

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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

Notes to the financial statements (continued)

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 \$131,492, 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 Coolalinga, Northern Territory.

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

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

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

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

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Notes to the financial statements (continued)

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.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

For those products and services on which margin is paid, 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.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

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

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 consolidated 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 company 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.

Notes to the financial statements (continued)

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

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

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

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

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

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 40	years
- motor vehicle	3 - 5	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.

Notes to the financial statements (continued)

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

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, cancelled or expires.

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) 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) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(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.

Notes to the financial statements (continued)

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

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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.

Notes to the financial statements (continued)

Note 2. Financial risk management

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

Risk management is carried out directly by the board of directors.

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Notes to the financial statements (continued)

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

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

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated 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	862,568	898,506
- services commissions	116,931	135,790
- fee income	68,596	78,859
- market development fund	25,000	25,000
Total revenue from operating activities	<u>1,073,095</u>	<u>1,138,155</u>
Non-operating activities:		
- interest received	12,949	12,088
- other revenue	3,195	3,199
Total revenue from non-operating activities	<u>16,144</u>	<u>15,287</u>
Total revenues from ordinary activities	<u><u>1,089,239</u></u>	<u><u>1,153,442</u></u>

Notes to the financial statements (continued)

Note 5.	Expenses	2018	2017
		\$	\$
	Depreciation of non-current assets:		
	- plant and equipment	16,642	18,080
	- leasehold improvements	9,317	9,269
	- motor vehicle	6,905	-
	Amortisation of non-current assets:		
	- franchise agreement	2,238	2,324
	- franchise renewal fee	11,192	11,618
		<u>46,294</u>	<u>41,291</u>
	Finance costs:		
	- interest paid	<u>1,311</u>	<u>-</u>
	-Bad debts	<u>910</u>	<u>577</u>
Note 6.	Income tax expense		
	The components of tax expense comprise:		
	- Current tax	51,780	81,757
	- Movement in deferred tax	10,727	4,744
		<u>62,507</u>	<u>86,501</u>
	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
	Operating profit	227,008	313,051
	Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2017: 27.5%)	62,427	86,089
	Add tax effect of:		
	- non-deductible expenses	80	412
	- timing difference expenses	(10,727)	(4,744)
		<u>51,780</u>	<u>81,757</u>
	Movement in deferred tax	10,727	4,744
		<u>62,507</u>	<u>86,501</u>

Notes to the financial statements (continued)

Note 7.	Cash and cash equivalents	2018	2017
		\$	\$
Cash at bank and on hand		252,062	154,100
Term deposits		416,639	519,751
		<u>668,701</u>	<u>673,851</u>

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	252,062	154,100
Term deposits	416,639	519,751
	<u>668,701</u>	<u>673,851</u>

Note 8. Trade and other receivables

Trade receivables	84,556	88,840
Prepayments	8,074	7,020
Other receivables and accruals	2,285	2,285
	<u>94,915</u>	<u>98,145</u>

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	215,305	215,306
Less accumulated depreciation	(74,900)	(65,583)
	<u>140,405</u>	<u>149,723</u>
Plant and equipment		
At cost	203,229	153,091
Less accumulated depreciation	(116,086)	(99,444)
	<u>87,143</u>	<u>53,647</u>
Motor vehicles		
At cost	47,432	-
Less accumulated depreciation	(6,905)	-
	<u>40,527</u>	<u>-</u>
Total written down amount	<u>268,075</u>	<u>203,370</u>

Notes to the financial statements (continued)

Note 9.	Property, plant and equipment (continued)	2018	2017
		\$	\$
Movements in carrying amounts:			
Leasehold improvements			
Carrying amount at beginning		149,722	156,511
Additions		-	2,480
Disposals		-	-
Less: depreciation expense		(9,317)	(9,269)
Carrying amount at end		<u>140,405</u>	<u>149,722</u>
Plant and equipment			
Carrying amount at beginning		53,648	52,954
Additions		50,137	18,774
Disposals		-	-
Less: depreciation expense		(16,642)	(18,080)
Carrying amount at end		<u>87,143</u>	<u>53,648</u>
Motor vehicles			
Carrying amount at beginning		-	-
Additions		47,432	-
Disposals		-	-
Less: depreciation expense		(6,905)	-
Carrying amount at end		<u>40,527</u>	<u>-</u>
Total written down amount		<u>268,075</u>	<u>203,370</u>

Note 10.	Intangible assets		
Franchise fee			
At cost		32,746	32,746
Less: accumulated amortisation		(25,538)	(23,300)
		<u>7,208</u>	<u>9,446</u>
Renewal processing fee			
At cost		113,729	113,729
Less: accumulated amortisation		(77,690)	(66,498)
		<u>36,039</u>	<u>47,231</u>
Total written down amount		<u>43,247</u>	<u>56,677</u>

Notes to the financial statements (continued)

Note 11. Tax		2018	2017
		\$	\$
Current:			
Income tax payable/(refundable)		<u>(11,989)</u>	<u>68,062</u>
Non-Current:			
Deferred tax assets			
- accruals		955	840
- employee provisions		3,896	9,791
		<u>4,851</u>	<u>10,631</u>
Deferred tax liability			
- accruals		628	629
- property, plant and equipment		23,431	18,483
		<u>24,059</u>	<u>19,112</u>
Net deferred tax liability		<u>(19,208)</u>	<u>(8,481)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		<u>10,727</u>	<u>4,744</u>
Note 12. Trade and other payables			
Current:			
Other creditors and accruals		<u>16,711</u>	<u>85,857</u>
Note 13. Borrowings			
Current:			
Chattel mortgage	18	<u>15,829</u>	<u>-</u>
Non-Current:			
Chattel mortgage	18	<u>22,471</u>	<u>-</u>

Notes to the financial statements (continued)

Note 14. Provisions	2018	2017
	\$	\$
Current:		
Provision for annual leave	13,102	10,257
Provision for long service leave	-	24,833
	<u>13,102</u>	<u>35,090</u>
Non-Current:		
Provision for long service leave	<u>1,065</u>	<u>513</u>

Note 15. Issued capital		
800,011 ordinary shares fully paid (2017: 800,011)	800,011	800,011
Less: equity raising expenses	(34,461)	(34,461)
	<u>765,550</u>	<u>765,550</u>

Rights attached to shares

(a) *Voting rights*

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

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

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*.

Notes to the financial statements (continued)

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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 330. As at the date of this report, the company had 366 shareholders.

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

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

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is 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. Retained earnings	2018	2017
	\$	\$
Balance at the beginning of the financial year	68,490	(30,058)
Net profit from ordinary activities after income tax	164,501	226,550
Dividends provided for or paid	-	(128,002)
Balance at the end of the financial year	<u>232,991</u>	<u>68,490</u>

Notes to the financial statements (continued)

Note 17. Statement of cash flows	2018	2017
	\$	\$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	164,501	226,550
Non cash items:		
- depreciation	32,864	27,349
- amortisation	13,430	13,942
Changes in assets and liabilities:		
- (increase)/decrease in receivables	3,230	(4,972)
- (increase)/decrease in other assets	(11,989)	14,118
- increase/(decrease) in payables	(5,145)	(151,522)
- increase/(decrease) in provisions	(21,436)	(8,216)
- increase/(decrease) in current tax liabilities	(57,335)	72,806
Net cash flows provided by operating activities	<u>118,120</u>	<u>190,055</u>

Note 18. Leases

Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	17,455	-
- between 12 months and 5 years	23,318	-
Minimum lease payments	<u>40,773</u>	<u>-</u>
Less future finance charges	(2,473)	-
Present value of minimum lease payments	<u>38,300</u>	<u>-</u>

The finance leases of the two 2017 Toyota Hilux's, which commenced in December 2017 and are both 3-year leases. Interest is recognised at an average rate of 5.2939% (2017: Nil).

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	52,597	30,682
- between 12 months and 5 years	78,895	-
	<u>131,492</u>	<u>30,682</u>

The branch property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease was renewed in May 2018 for a further three years with a further three year option available.

Notes to the financial statements (continued)

Note 19. Auditor's remuneration	2018	2017
	\$	\$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,400	5,500
- share registry services	6,246	5,403
- non audit services	3,705	3,645
	<u>14,351</u>	<u>14,548</u>

Note 20. Director and related party disclosures

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

Janice Susan Young
Deane Henry Walkley
Lorna Jamieson McLaughlin
Natalie Yvette Bell

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

Transactions with related parties:	<u>2018</u>	<u>2017</u>
	\$	\$
During the period under review Janice Young was remunerated for performing administration duties. Including superannuation, Janice received a total of:	49,634	50,722
During the period under review Deane provided electrical maintenance and repairs services to the company.	3,129	490
During the period under review Mobile Electronics, of which Lorna is a director, provided CCTV cameras and installation services to the company.	-	3,659
During the period under review Natalie provided marketing services to the company.	3,050	-

Directors Shareholdings

Janice Susan Young	12,201	12,201
Deane Henry Walkley	600	600
Lorna Jamieson McLaughlin	10,000	10,000
Natalie Yvette Bell	1,500	1,500

There was no movement in directors shareholdings during the year.

Notes to the financial statements (continued)

Note 21. Dividends provided or paid	2018	2017
	\$	\$
a. Dividends paid during the year		
Current year dividend	64,001	64,001
100% (2017: 100%) franked dividend - 8 cents (2017: 8 cents) per share		
b. Dividends proposed and recognised as a liability		
Current year final dividend	-	64,001
100% (2017: N/A) franked dividend - Nil cents (2017: 8 cents) per share		
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	158,480	50,925
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(11,989)	68,062
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
	146,491	118,987
Franking credits available for future financial reporting periods:		
franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a	-	-
	146,491	118,987
Net franking credits available		

Note 22. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Janice Susan Young	3,500	3,500
Deane Henry Walkley	2,750	100
Lorna Jamieson McLaughlin	2,750	600
Natalie Yvette Bell	2,750	900
	11,750	5,100

Notes to the financial statements (continued)

Note 23. Earnings per share	2018	2017
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	164,501	226,550
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	800,011	800,011

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Coolalinga and the

Note 27. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of

Registered Office
Shop 18, 460 Stuart Highway
Coolalinga NT 0835

Principal Place of Business
Shop 18, 460 Stuart Highway
Coolalinga NT 0835

Notes to the financial statements (continued)

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

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	251,862	153,900	416,639	519,751	-	-	-	-	200	200	1.73	1.92
Receivables	-	-	-	-	-	-	-	-	84,556	88,840	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	15,829	-	22,471	-	-	-	-	-	4.60	Nil
Payables	-	-	-	-	-	-	-	-	-	-	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%	6,302	6,737
Decrease in interest rate by 1%	(6,302)	(6,737)
Change in equity		
Increase in interest rate by 1%	6,302	6,737
Decrease in interest rate by 1%	(6,302)	(6,737)

Directors' declaration

In accordance with a resolution of the directors of Coolalinga & Districts Community Finance 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.



Janice Susan Young,
Chair

Signed on the 24th of September 2018.

Independent audit report



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Coolalinga & Districts Community Finance Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Coolalinga & Districts Community Finance 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

Coolalinga & Districts Community Finance Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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Independent audit report (continued)

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



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



David Hutchings
Lead Auditor

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