

# Annual Report 2018

Donnybrook Capel Districts  
Community Financial Services Ltd

ABN 23 103 003 416



Donnybrook and Capel **Community Bank**<sup>®</sup> Branch

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# Chair's report

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For year ending 30 June 2018

Having only recently taken up the role as Co-Chairpersons for the Donnybrook-Capel Community Bank®, it is fantastic to be able to acknowledge another strong year by both our Donnybrook and Capel branches. This comes during a time when financial institutions have been in the spotlight for all the wrong reasons, with the Royal Commission showing that many consumers have lost faith and trust in the Australian financial system. However, here at the Donnybrook-Capel Community Bank® we are proud of not only the service we provide for the local community, but of the contributions we give back to the community.

We would also like to thank the dedicated staff at both branches. Whether it is attending community events after hours, or holding a fundraising sausage sizzle out the front of the Branch, all the staff at the Community Bank are truly passionate about serving the communities in which they live and work and the Community Bank could not continue to achieve the success it has in the past without this dedicated team, led by our Branch Manager, Bernadette McInnes. They truly put the customer above all and as a result, the Community Bank has a culture of trust, reliability and high ethical standards. Congratulations to the staff who have all contributed to our achievements.

We would also like to acknowledge the three Directors who have retired from our Board this past year.

Bruce Hearman has been a part of the Community Bank since it's inception and in an involvement that has spanned approximately 17 years held the positions of Steering Committee chairman, director, company secretary and company chairman. A truly material and indispensable contribution to our company.

Michelle Plume gave the board the very considerable benefit of her knowledge on how to foster and build community life and how to bring our grants and sponsorship program up to best practice. We are very pleased she has agreed to continue to offer her knowledge and expertise to the bank sponsorships and donations sub committee ex gratia.

Jeff Heath has also been a director and very able deputy chair to two of our chairmen through some of the most rewarding and challenging times of the company. His sober and sensible advice will be missed.

This past year has seen us renewing our business franchises with Bendigo Bank. With our 15<sup>th</sup> birthday for both branches occurring in the 2018/19 year, the Board looks forward to building our business and serving our communities for a further 15 years.

Mid last year the Board undertook a Board membership rebuilding exercise. Having four new Directors has invigorated the Board and provided an opportunity to look at the business through a different lens. As such the new Board is seeking to look for new and exciting opportunities to help

grow the Community Bank®, and ultimately give back more to our shareholders and the community.

In recognition of our financial position, Directors chose to provide a share dividend payment to our shareholders of seven cents for every share held. Without these shareholders, our business would not exist, so we thank our shareholders for their ongoing support and provide a commitment that we will continue to take our business from strength to strength.

And lastly, we'd like to thank the rest of the Directors. Being voluntary positions, the hours given towards the governance of the Community Bank® cannot be overlooked. Your passion and dedication is evident and we look forward to working with you for another year.



Kingsley Smith  
Chair



Tahlia Rose  
Chair

# Manager's report

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For year ending 30 June 2018

2017/2018 has been good year for both Capel and Donnybrook Branches.

We have achieved combined growth of \$9.78M for the financial year and this gives us a total book value of \$99M for the Donnybrook Branch and \$74M for the Capel Branch.

Our continued growth is due to a great team effort. I wish to take this opportunity to thank all our wonderful staff members from both branches who are Jo, Sonia, Jackie, Tara, Morgan, Kym, Zoey, Helen and Taryn as they are integral part of success of this business.

This year we had a few changes. We promoted Tara Carroll to the position of Assistant Branch Manager of the Donnybrook Branch which is well-deserved, we said goodbye to Taryn who moved states and Jackie who went on maternity leave.

As the staff of your Community Bank® branch, we believe that it is our responsibility to ensure we continue to provide quality, friendly and reliable customer service.

We have continued to support many local sporting & community groups during the past 12 months. Your Community Bank® branch staff were once again out and about in your community and you might have seen us at events such as the CWA Shout annual event in Capel the Thank a Volunteer annual event in Donnybrook. We also supported our local businesses with our Marketing workshops which provided some valuable information.

I would like to take this opportunity to acknowledge a few retiring Directors who invested so many volunteer hours to the Community Branch. Thank you to Bruce Hearman, Angelo Logiudice, Jeff Heath, Michelle Plume and Mike Kinsella. I have valued your guidance and commitment and from the staff and myself we wish you all the best in your future adventures.

Finally, I wish to thank our loyal customers and shareholders for their continued support.

I look forward to a successful 2018/2019 year.



Bernadette McInnes  
Branch Manager

# Directors' report

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## For year ending 30 June 2018

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

### Directors

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

<b>Bruce Hearman (Resigned 30 June 2018)</b>	
Position	Chairperson
Professional qualifications	NIL
Experience and expertise	Business Proprietor

<b>Jefferis Heath (Resigned 10 July 2018)</b>	
Position	Vice Chairperson
Professional qualifications	NIL
Experience and expertise	Licensed Real Estate Agent

<b>Kingsley Smith</b>	
Position	Director, Company Secretary
Professional qualifications	Chartered Accountant
Experience and expertise	NIL

<b>John Cross</b>	
Position	Director
Professional qualifications	NIL
Experience and expertise	Ag Consultant

<b>Michelle Plume (Resigned 5 February 2018)</b>	
Position	Director
Professional qualifications	NIL
Experience and expertise	Executive Manager Community Services - Shire of Capel

<b>John Ridgway (Appointed 24 August 2017)</b>	
Position	Director
Professional qualifications	BA Political Science/Economics
Experience and expertise	Senior Management in Government

<b>Stephanie Addison-Brown (Appointed 13 September 2017)</b>	
Position	Director
Professional qualifications	BA (Hons), Post Graduate qualification in Management
Experience and expertise	Director Corporate and Community Services – City of Bunbury,

<b>Tahlia Rose (Appointed 24 August 2017)</b>	
Position	Director
Professional qualifications	BSc (Hons) LLB (Hons)
Experience and expertise	State Government, Legal

# Directors' report *(continued)*

Keith Palmer (Appointed 24 August 2017)	
Position	Director
Professional qualifications	
Experience and expertise	

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

Directors have material interests in contracts or proposed contracts with the company (refer to Note 20 c).

## Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Bruce Hearman	10	8
Jefferis Heath	10	8
Kingsley Smith	10	7
John Cross	10	8
Michelle Plume	5	3
Tahlia Rose	10	10
John Ridgway	10	9
Stephanie Addison-Brown	8	6
Keith Palmer	9	6

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

## Company Secretary

Kingsley Smith has been the Company Secretary of Donnybrook Capel Districts Community Financial Services Limited since 2015.

## 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 has 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 \$72,021 (2017 profit: \$100,905), which is a 28.6% decrease as compared with the previous year.

## Dividends

An unfranked final dividend of 7 cents per share was declared and paid during the year for the year ended 30 June 2017. No dividend has been declared or paid for the year ended 30 June 2018 as yet.

## Options

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

## Significant changes in the state of affairs

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

# Directors' report *(continued)*

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## 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 occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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

## Proceedings on behalf of company

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

## Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 4 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 Boyanup, WA on 27 September 2018.



**Kingsley Smith**  
Director



# Auditor's Independence Declaration

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41A Breen Street  
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 of Donnybrook Capel District 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**

A handwritten signature in blue ink, appearing to read 'P. P. Delahunty', is written over a light blue rectangular background.

**P. P. Delahunty**  
**Partner**  
41A Breen Street  
Bendigo VIC 3550

**Dated:** 28 September 2018

# Financial Statements

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

	Note	2018 \$	2017 \$
<b>Revenue</b>	2	1,244,402	1,271,029
<b>Expenses</b>			
Employee benefits expense	3	(736,651)	(719,200)
Depreciation and amortisation	3	(81,478)	(69,251)
Finance costs	3	(4,041)	(5,810)
Bad and doubtful debts expense	3	(327)	(585)
Administration and general costs		(23,966)	(27,796)
Occupancy expenses		(94,206)	(91,836)
IT expenses		(39,422)	(38,792)
Professional expenses		(34,411)	(32,720)
Utility expenses		(17,924)	(17,155)
Advertising expenses		(9,028)	(10,054)
Insurance expense		(24,663)	(26,845)
Other expenses		(44,054)	(48,687)
		<u>(1,110,171)</u>	<u>(1,088,731)</u>
<b>Operating profit before charitable donations &amp; sponsorship</b>		<b>134,231</b>	<b>182,298</b>
Charitable donations and sponsorships		<u>(34,892)</u>	<u>(43,119)</u>
<b>Profit before income tax</b>		<b>99,339</b>	<b>139,179</b>
Income tax expense	4	<u>(27,318)</u>	<u>(38,274)</u>
<b>Profit for the year after income tax</b>		<b>72,021</b>	<b>100,905</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>72,021</u></b>	<b><u>100,905</u></b>
Profit attributable to members of the company		72,021	100,905
<b>Total comprehensive income attributable to members of the company</b>		<b><u>72,021</u></b>	<b><u>100,905</u></b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):</b>			
- basic earnings per share	17	10.91	15.28

# Financial Statements *(continued)*

## Statement of Financial Position as at 30 June 2018

	Note	2018 \$	2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	313,639	262,452
Trade and other receivables	6	119,481	112,519
Other assets	7	10,963	1,556
<b>Total current assets</b>		<b>444,083</b>	<b>376,527</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	122,625	178,363
Intangible assets	9	131,143	25,740
Deferred tax assets	4	26,770	18,882
<b>Total non-current assets</b>		<b>280,538</b>	<b>222,985</b>
<b>Total assets</b>		<b>724,621</b>	<b>599,512</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	91,415	65,675
Current tax liability	4	35,203	1,585
Borrowings	12	1,534	20,268
Provisions	13	82,914	42,202
<b>Total current liabilities</b>		<b>211,066</b>	<b>129,730</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	102,292	-
Borrowings	12	-	71,822
Provisions	13	9,722	22,210
<b>Total non-current liabilities</b>		<b>112,014</b>	<b>94,032</b>
<b>Total liabilities</b>		<b>323,080</b>	<b>223,762</b>
<b>Net assets</b>		<b>401,541</b>	<b>375,750</b>
<b>Equity</b>			
Issued capital	14	660,435	660,435
Accumulated losses	15	(258,894)	(284,685)
<b>Total equity</b>		<b>401,541</b>	<b>375,750</b>

# Financial Statements *(continued)*

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

	Note	Issued capital	Accumulated losses	Total equity
		\$	\$	\$
<b>Balance at 1 July 2017</b>		660,435	(284,685)	375,750
<i>Comprehensive income for the year</i>				
Profit for the year		-	72,021	72,021
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid or provided	16	-	(46,230)	(46,230)
<b>Balance at 30 June 2018</b>		<b>660,435</b>	<b>(258,894)</b>	<b>401,541</b>
<b>Balance at 1 July 2016</b>		660,435	(345,949)	314,486
<i>Comprehensive income for the year</i>				
Profit for the year		-	100,905	100,905
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid or provided	16	-	(39,641)	(39,641)
<b>Balance at 30 June 2017</b>		<b>660,435</b>	<b>(284,685)</b>	<b>375,750</b>

# Financial Statements *(continued)*

## Statement of Cash Flows for the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,360,920	1,395,152
Payments to suppliers and employees		(1,167,321)	(1,253,864)
Interest paid		(4,041)	(5,810)
Income tax paid		(1,585)	-
<b>Net cash flows provided by operating activities</b>	19b	<b>187,973</b>	<b>135,478</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(90,556)	(14,367)
Dividends paid		(46,230)	(39,641)
<b>Net cash flows used in financing activities</b>		<b>(136,786)</b>	<b>(54,008)</b>
<b>Net increase in cash held</b>		<b>51,187</b>	<b>81,470</b>
Cash and cash equivalents at beginning of financial year		262,452	180,982
<b>Cash and cash equivalents at end of financial year</b>	19a	<b>313,639</b>	<b>262,452</b>

# Notes to the financial statements

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These financial statements and notes represent those of Donnybrook Capel Districts Community Financial Services Limited.

Donnybrook Capel Districts 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 27 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®** branches at Donnybrook and Capel.

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branches;
- Training for the Branch Managers 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 the financial statements *(continued)*

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## 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) Comparative figures

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

### (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 the financial statements *(continued)*

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## 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

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2017. Information on the more standard(s) applicable to this entity are presented below.

#### *AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017.

### (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 on the proceeding pages.



# Notes to the financial statements *(continued)*

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

### (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.
- 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.

# Notes to the financial statements *(continued)*

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

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

#### (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

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.

#### (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.

# Notes to the financial statements *(continued)*

## 2. Revenue

	2018 \$	2017 \$
Revenue		
- service commissions	<u>1,242,962</u>	<u>1,269,229</u>
	<u>1,242,962</u>	<u>1,269,229</u>
Other revenue		
- rent income	<u>1,440</u>	<u>1,800</u>
	<u>1,440</u>	<u>1,800</u>
<b>Total revenue</b>	<b><u>1,244,402</u></b>	<b><u>1,271,029</u></b>

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.

### *Other income*

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).

## 3. Expenses

	2018 \$	2017 \$
<b>Profit before income tax includes the following specific expenses:</b>		
Employee benefits expense		
- wages and salaries	604,570	604,358
- superannuation costs	74,254	72,337
- other costs	<u>57,827</u>	<u>42,505</u>
	<u>736,651</u>	<u>719,200</u>
Depreciation and amortisation		
<i>Depreciation</i>		
- leasehold improvements	55,604	36,915
- furniture and fittings	<u>134</u>	<u>6,595</u>
	<u>55,738</u>	<u>43,510</u>
Amortisation		
- franchise fees	13,740	13,740
- establishment costs	<u>12,000</u>	<u>12,000</u>
	<u>25,740</u>	<u>25,740</u>
<b>Total depreciation and amortisation</b>	<b><u>81,478</u></b>	<b><u>69,250</u></b>

# Notes to the financial statements *(continued)*

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## 3. Expenses (continued)

	2018 \$	2017 \$
Finance costs		
- Interest paid	4,041	5,810
Bad and doubtful debts expenses	327	585
Auditors' remuneration		
<i>Remuneration of the Auditor, RSD Audit, for:</i>		
- Audit or review of the financial report	7,140	5,500

### *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, including plant and equipment and leasehold improvements, 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:

<i>Class of asset</i>	<i>Rate</i>	<i>Method</i>
Building Improvements	20%	Straight line
Furniture & Fittings	20%	Straight line
Motor Vehicle	20%	Straight line

# Notes to the financial statements *(continued)*

## 4. Income tax

	2018 \$	2017 \$
<b>a. The components of tax expense comprise:</b>		
Current tax expense	35,203	41,982
Deferred tax expense	(7,885)	36,689
Recoupment of prior year tax losses	-	(40,397)
	<u><b>27,318</b></u>	<u><b>38,274</b></u>
<b>b. Prima facie tax payable</b>		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	27,318	38,274
<b>Income tax attributable to the entity</b>	<u><b>27,318</b></u>	<u><b>38,274</b></u>
The applicable weighted average effective tax rate is:	27.50%	27.50%
<b>c. Current tax liability</b>		
Current tax relates to the following:		
<i>Current tax liabilities / (assets)</i>		
Opening balance	1,585	-
Income tax paid	(1,585)	-
Current tax	35,203	41,982
Recoupment of prior year tax losses	-	(40,397)
	<u><b>35,203</b></u>	<u><b>1,585</b></u>
<b>d. Deferred tax asset</b>		
Deferred tax relates to the following:		
<b>Deferred tax assets comprise:</b>		
Accruals	1,295	1,169
Employee provisions	25,475	17,713
<b>Net deferred tax asset</b>	<u><b>26,770</b></u>	<u><b>18,882</b></u>
<b>e. Deferred income tax included in income tax expense comprises:</b>		
Decrease / (increase) in deferred tax assets	(7,785)	36,689
	<u><b>(7,785)</b></u>	<u><b>36,689</b></u>

# Notes to the financial statements *(continued)*

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## 4. Income tax (continued)

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 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 the financial statements *(continued)*

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## 5. Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank and on hand	313,639	262,452
	<u>313,639</u>	<u>262,452</u>

Cash and cash equivalents include cash on hand and deposits available on demand with banks.

## 6. Trade and other receivables

	2018	2017
	\$	\$
<b>Current</b>		
Trade receivables	119,481	112,519
	<u>119,481</u>	<u>112,519</u>

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 on profit or loss.

### 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 the financial statements *(continued)*

## 6. Trade and other receivables (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross	Not past	Past due but not impaired			Past due
	amount	due	< 30 days	31-60 days	> 60 days	and impaired
2018	\$	\$	\$	\$	\$	\$
Trade receivables	119,481	119,481	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>119,481</b>	<b>119,481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2017</b>						
Trade receivables	112,519	112,519	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>112,519</b>	<b>112,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 7. Other assets

	2018	2017
	\$	\$
Prepayments	<u>10,963</u>	<u>1,556</u>
	10,963	1,556

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.



# Notes to the financial statements *(continued)*

## Property, plant and equipment

	At cost	2018 \$ A ccumulated W depreciation	ritten down value	At cost	2017 \$ A ccumulated W depreciation	ritten down
Building improvements	390,296	(274,653)	115,643	390,296	(219,049)	171,247
Furniture and fittings	55,936	(48,954)	6,982	55,936	(48,820)	7,116
Motor vehicles	44,091	(44,091)	-	44,091	(44,091)	-
<b>Total property, plant and equipment</b>	<b>490,323</b>	<b>(367,698)</b>	<b>122,625</b>	<b>490,323</b>	<b>(311,960)</b>	<b>178,363</b>

### 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.

### (a) Capital expenditure commitments

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

# Notes to the financial statements *(continued)*

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## 8. Property, plant and equipment (continued)

### (b) Movements in carrying amounts of PP&E

	Opening written down value \$	Depreciation \$	Closing written down value \$
<b>2018</b>			
Building improvements	171,247	(55,604)	115,643
Furniture and fittings	7,116	(134)	6,982
Motor vehicles	-	-	-
<b>Total property, plant and equipment</b>	<b>178,363</b>	<b>(55,738)</b>	<b>122,625</b>

	Opening written down value \$	Depreciation \$	Closing written down value \$
<b>2017</b>			
Building improvements	208,163	(36,916)	171,247
Furniture and fittings	13,710	(6,594)	7,116
Motor vehicles	-	-	-
<b>Total property, plant and equipment</b>	<b>221,873</b>	<b>(43,510)</b>	<b>178,363</b>

# Notes to the financial statements *(continued)*

## 9. Intangible assets

	2018			2017		
		\$			\$	
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	197,575	(197,575)	-	197,575	(183,835)	13,740
Preliminary expenses	60,000	(60,000)	-	60,000	(48,000)	12,000
Renewal franchise fees	131,143	-	131,143	-	-	-
<b>Total intangible assets</b>	<b>388,718</b>	<b>(257,575)</b>	<b>131,143</b>	<b>257,575</b>	<b>(231,835)</b>	<b>25,740</b>

Franchise fees and Preliminary expenses 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.

### Movements in carrying amounts

	Opening written down value	Additions	Amortisation	Closing written down value
	\$	\$	\$	\$
<b>2018</b>				
Franchise fees	13,740	-	(13,740)	-
Establishment costs	12,000	-	(12,000)	-
Renewal Franchise Fees	-	131,143	-	131,143
<b>Total intangible assets</b>	<b>25,740</b>	<b>131,143</b>	<b>(25,740)</b>	<b>131,143</b>

	Opening written down value	Additions	Amortisation	Closing written down value
	\$	\$	\$	\$
<b>2017</b>				
Franchise fees	27,480	-	(13,740)	13,740
Preliminary expenses	24,000	-	(12,000)	12,000
<b>Total intangible assets</b>	<b>51,480</b>	<b>-</b>	<b>(25,740)</b>	<b>25,740</b>

# Notes to the 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. Non-derivative 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

	2018 \$	2017 \$
<b>Current</b>		
<i>Unsecured liabilities:</i>		
Trade creditors	47,164	20,634
Other creditors and accruals	44,251	45,041
	<u>91,415</u>	<u>65,675</u>
<b>Non current</b>		
<i>Unsecured liabilities:</i>		
Trade creditors	102,292	-
	<u>102,292</u>	<u>-</u>
<b>Total trade and other payables</b>	<u>193,707</u>	<u>65,675</u>

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.

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

## 12. Borrowings

	2018 \$	2017 \$
<b>Current</b>		
<i>Secured liabilities</i>		
Bank loan	1,534	20,268
	<u>1,534</u>	<u>20,268</u>
<b>Non-current</b>		
<i>Secured liabilities</i>		
Bank loan	-	71,822
	<u>-</u>	<u>71,822</u>
<b>Total borrowings</b>	<u>1,534</u>	<u>92,090</u>

### *Loans*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings 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.

# Notes to the financial statements *(continued)*

## 12. Borrowings (continued)

### (a) Bank loans

The company has a fit-out loan which is subject to normal terms and conditions. The current interest rate is 6.3%. This loan has been created to fund the fit out of the Capel branch and is secured by a charge over the assets of the company.

## 13. Provisions

	2018 \$	2017 \$
<b>Current</b>		
Employee benefits	<u>82,914</u>	<u>42,202</u>
<b>Non-current</b>		
Employee benefits	<u>9,722</u>	<u>22,210</u>
<b>Total provisions</b>	<u><b>92,636</b></u>	<u><b>64,412</b></u>

### *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.

## 14. Share capital

	2018 \$	2017 \$
660,435 Ordinary shares fully paid	<u>660,435</u>	<u>660,435</u>
	<u><b>660,435</b></u>	<u><b>660,435</b></u>

Ordinary shares are classified as equity.

### (a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	<u>660,435</u>	<u>660,435</u>
At the end of the reporting period	<u><b>660,435</b></u>	<u><b>660,435</b></u>

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.

# Notes to the financial statements *(continued)*

## 14. Share capital (continued)

### (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%.

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.

## 15. Accumulated losses

	2018	2017
	\$	\$
Balance at the beginning of the reporting period	(284,685)	(345,949)
Profit for the year after income tax	72,021	100,905
Dividends paid	(46,230)	(39,641)
Balance at the end of the reporting period	<u>(258,894)</u>	<u>(284,685)</u>

## 16. Dividends paid or provided for on ordinary shares

	2018	2017
	\$	\$
<b>Dividends paid or provided for during the year</b>		
Final unfranked ordinary dividend of 7 cents per share (2017: 6 cents)	46,230	39,641

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.

## 17. Earnings per share

	2018	2017
	\$	\$
Basic earnings per share (cents)	10.91	15.28
Earnings used in calculating basic earnings per share	72,021	100,905
Weighted average number of ordinary shares used in calculating basic earnings per share.	660,435	660,435

### *Basic earnings 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.

# Notes to the financial statements *(continued)*

## 18. 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, bank overdraft and loans. 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 \$
<b>Financial assets</b>			
Cash and cash equivalents	5	313,639	262,452
Trade and other receivables	6	119,481	112,519
<b>Total financial assets</b>		<b>433,120</b>	<b>374,971</b>
<b>Financial liabilities</b>			
Trade and other payables	11	91,415	65,675
Borrowings	12	1,534	92,090
<b>Total financial liabilities</b>		<b>92,949</b>	<b>157,765</b>

### **(a) Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties 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.

# Notes to the financial statements *(continued)*

## 18. Financial instrument risk (continued)

### (a) Credit risk (continued)

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.

### (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 \$
<b>Financial assets</b>					
Cash and cash equivalents		313,639	313,639	-	-
Trade and other receivables		119,481	119,481	-	-
<b>Total anticipated inflows</b>		<u>433,120</u>	<u>433,120</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>					
Trade and other payables		91,415	91,415	-	-
Borrowings	6.3%	1,534	1,534	-	-
<b>Total expected outflows</b>		<u>92,949</u>	<u>92,949</u>	<u>-</u>	<u>-</u>
<b>Net inflow / (outflow) on financial instruments</b>		<u><u>340,171</u></u>	<u><u>340,171</u></u>	<u><u>-</u></u>	<u><u>-</u></u>



# Notes to the financial statements *(continued)*

## 18. Financial instrument risk (continued)

### (b) Liquidity risk (continued)

30 June 2017	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
<b>Financial assets</b>					
Cash and cash equivalents		262,452	262,452	-	-
Trade and other receivables		112,519	112,519	-	-
<b>Total anticipated inflows</b>		<u>374,971</u>	<u>374,971</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>					
Trade and other payables		65,675	65,675	-	-
Borrowings	6.3%	92,090	20,268	71,822	-
<b>Total expected outflows</b>		<u>157,765</u>	<u>85,943</u>	<u>71,822</u>	<u>-</u>
<b>Net inflow / (outflow) on financial instruments</b>		<u><u>217,206</u></u>	<u><u>289,028</u></u>	<u><u>(71,822)</u></u>	<u><u>-</u></u>

### (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 price risk.

The financial instruments that primarily expose the company to interest rate risk are borrowings 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.

	2018		2017	
	Profit \$	Equity \$	Profit \$	Equity \$
+/- 1% in interest rates (interest income)	-	-	-	-
+/- 1% in interest rates (interest expense)	(15)	(15)	(921)	(921)
	<u>(15)</u>	<u>(15)</u>	<u>(921)</u>	<u>(921)</u>

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

# Notes to the financial statements *(continued)*

## 19. Statement of cash flows

	2018 \$	2017 \$
<b>(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:</b>		
Cash and cash equivalents (Note 5)	313,639	262,452
As per the Statement of Cash Flow	<u>313,639</u>	<u>262,452</u>
<b>(b) Reconciliation of cash flow from operations with profit after income tax</b>		
Profit for the year after income tax	72,021	100,905
Non-cash flows in profit		
- Depreciation and amortisation	81,478	69,250
- Bad debts	327	585
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(7,289)	(2,908)
- (increase) / decrease in prepayments and other assets	(9,407)	(1,556)
- (Increase) / decrease in deferred tax asset	(7,888)	36,689
- Increase / (decrease) in trade and other payables	(3,111)	(82,558)
- Increase / (decrease) in current tax liability	33,618	1,585
- Increase / (decrease) in provisions	28,224	13,485
Net cash flows from operating activities	<u>187,973</u>	<u>135,477</u>

## 20. Key management personnel and related party disclosures

### (a) Key management personnel

Key management personnel includes any person 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.

No directors fees have been paid as the positions held on a voluntary basis.

### (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 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 provided	Value \$
Kingsley Smith	1/3 Owner of unit trust that owns the building where Capel branch operates from (rent payments)	27,941
Tahlia Rose	Donnybrook community bank branch rental lease payment to Shire of Donnybrook / Balingup which is a related party of T. Rose.	55,377

# Notes to the financial statements *(continued)*

## 20. Key management personnel and related party disclosures *(continued)*

### (c) Transactions with key management personnel and related parties *(continued)*

The Donnybrook Capel Districts Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be NIL for the year ended 30 June 2018.

### (d) Key management personnel shareholdings

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

	2018	2017
Jefferis Heath	500	250
Kingsley Smith	5,000	6,000
Angelo Logiudice	500	-
John Cross	-	-
Bruce Hearman	2,000	2,000
Michael Kinsella	-	-
John Ridgway	-	-
Stephanie Addison-Brown	-	-
Tahlia Rose	-	-
	<b>8,000</b>	<b>8,250</b>

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

### (e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

## 21. Events after the reporting period

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

## 22. Contingent liabilities and contingent assets

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

## 23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two areas being Donnybrook, WA and Capel, WA. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2017: 100%).

# Notes to the financial statements *(continued)*

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## 24. Commitments

### Operating lease commitments

Payable:

	2018	2017
	\$	\$
- no later than 12 months	45,952	52,976
- between 12 months and five years	113,988	78,364
<b>Minimum lease payments</b>	<b>159,940</b>	<b>131,340</b>

The two property leases are non-cancellable leases with varying terms (5 years and 2 years), with rent payable monthly in advance. The leases varying extension options (1 x 5 year term and 5 x 5 year terms).

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

## 25. Company details

The registered office and principal place of business is 70 South Western Highway, Donnybrook, WA.

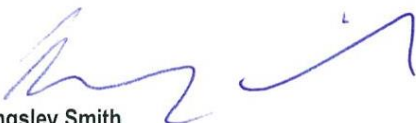
# Directors' Declaration

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In accordance with a resolution of the Directors of Donnybrook Capel Districts Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 31 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.



**Kingsley Smith**  
Director

Signed at Boyanup, WA on 27 September 2018.

# Independent audit report

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## Audit

41A Breen Street Bendigo,  
Mctcria  
PO Box 448, Bendigo, VIC, 3552

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

AUDITOR'S REPORT TO THE MEMBERS OF DONNYBROOK CAPEL DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### Opinion

We have audited the financial report of Donnybrook Capel District Community Financial 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:

the financial report of Donnybrook Capel District Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year then ended; and (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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 Auditors 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 1 10: 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 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 auditors 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 Company 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.

We obtain sufficient appropriate audit evidence regarding the financial information of 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.

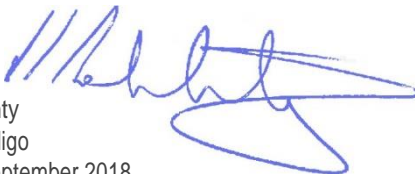
The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters 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.

RSDAudit  
Chartered Accountants



P.P. Delahunty  
Partner Bendigo  
Dated: 28 September 2018



Donnybrook **Community Bank**® Branch  
70 Southwest Highway, Donnybrook, WA, 6239  
Phone: (08) 9731 2446 Fax (08) 9731 2448  
Email: [donnybrook@bendigoadelaide.com.au](mailto:donnybrook@bendigoadelaide.com.au)

Capel **Community Bank**® Branch  
1/34 Forrest Road, Capel, WA, 6271  
Phone: (08) 9727 1355 Fax (08) 9727 1726  
Email: [capel@bendigoadelaide.com.au](mailto:capel@bendigoadelaide.com.au)

Franchisee: Donnybrook Capel Districts Community Financial Services Limited  
PO Box 501, Capel, WA, 6271  
ABN: 23 103 003 416