Annual Report 2018

East Gosford & Districts Financial Services Ltd

ABN 90 092 538 620

East Gosford, Lisarow & Kincumber **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2018

On behalf of the Board and management I am pleased to present the 18th Annual Report on the affairs of your Company, now in its 19th year of operation.

Our trading result for the financial year, after provision for income tax was a profit of $109,247 (2017 profit $113,981). The result is similar to the previous year and takes into account a significant increase in community Contributions. In 2018 total charitable donations and sponsorship was $163,222 compared with $55,028 in 2017. We placed $100,000 with the Bendigo Bank Community Enterprise Foundation. We are focussing on significant social causes as a way in which your Bank can make a difference in the local community.

Revenue increased by 10% from $2.069 million in 2017 to $2.283 million in 2018, while expenses increased by 7% from $1.855 million last year to $1.981 million in the current year. Business levels as at 30 June 2018 are $297.0 million, being 2.2% higher than last year, having grown by $6.4 million.

I want to thank our Senior Manager, Michael Bell, our Branch Managers, Julie Eastham at East Gosford, Martin Creesey at Kincumber, and Darren Dean, at Lisarow as well as all staff for their continued dedication and commitment to the **Community Bank®** concept and its promotion in the community.

On behalf of the Board, I thank all of our valued shareholders and customers for your support helping to build a successful **Community Bank®** branch network, which in turn benefits our community. It is through your support that our Company and the **Community Bank®** concept continues to grow.

My thanks go to the Directors for giving up their time on a voluntary basis to support the **Community Bank®** model. I acknowledge the significant contributions made by those Directors who retired recently, and I welcome the new Directors who have joined our Board.

Garry Morris
Chairman

Manager’s report

For year ending 30 June 2018

Last year proved to be a much harder year for growth compared with the success achieved by all of our branches in earlier years. Whilst below levels of prior years, growth was positive at $6.4 million and most of this was in lending, exceeding our budget for the year. We are still aiming for what seems to be the elusive $300M book value over the course of this financial year.

We recently welcome~~d~~ new trainees Sarah & Rhys. Our trainees are working in well and part of the newer generation we need to embrace for the future. I also acknowledge with appreciation, the efforts over the years of those staff members who have left us in recent times.

We continue our community involvement via sponsorships, grants etc. and have contributed over $750k to local causes, events and the like. We will be undertaking a large community initiative in the 2018/19 financial year and will bring you news of this when it is launched. You can follow what we do in the community on Facebook at Central Coast Branches of Bendigo Bank. Please like and share for maximum exposure of our business so we can reach as many people as possible.

Our Bank of Goodwill stories continue~~s~~ to grow, and we now have in excess of 40 stories promoting the goodwill of our customers in the community and how they assist others in their own way. You can view these stories at www.bankofgoodwill.com.au.

Our focus as always is to continue to provide superior service to our customers, shareholders and community. All staff are focused on growing the business and promoting our **Community Bank®** branches at the many events and functions we support and attend by continually promoting our branches to gain new business.

It is a big part of our business to receive referrals and recommendations from our shareholders and customers and we encourage you to have family and friends contact us to discuss their banking needs. We offer attractive family and friends’ rates for home loans so why not have them talk with a local branch manager.

A thank you to all our staff across our three branches for your hard work and generous commitment of time outside of banking hours and continued positive attitude to ensure our business is successful. Also, a thank you to our partners Bendigo Bank and their representatives that work with us. Thank you to all Directors who are volunteers who give of their time to ensure long term viability of our business. And thank you to our shareholders and customers for your continued support of our branches and for what the **Community Bank®** model represents within our communities.

Michael Bell
Senior Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank®** branch opened. And it has only been a few months since the latest, the 321st, **Community Bank®** branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank®** branch to the most recent one, and the 319 in between.

This year, five of our Community Bank branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank®** branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank®** funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over $200 million in **Community Bank®** contributions, all because of people banking with their local **Community Bank®** branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank®** network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only *'community bank',* recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank®** company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank®** company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank®** branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.

Robert Musgrove
Bendigo and Adelaide Bank

The Directors present their report of the East Gosford & Districts Financial Services Limited ("the Company") for the financial year ended 30 June 2018.

Directors

The following persons were Directors of the Company during or since the end of the financial year up to the date of this report:

Garry Samuel Morris	
Position	Chairman
Professional qualifications	M. App Fin., Dip. Com, Dip. FP
Experience and expertise	Principal Adviser - Certitude Advisroy Group (Financial Planning)

Brian Wilfred Lindbeck	
Position	Treasurer
Professional qualifications	Nil
Experience and expertise	Retired Accountant, 37 years with QANTAS

Kenneth George Howes	
Position	Secretary
Professional qualifications	Fellow of the Institute of Chartered Accountants. Registered Company Auditor.
Experience and expertise	Worked in public practice for 57 years. Principal of Howes Accounting Services.

John Kevin Coman	
Position	Director
Professional qualifications	Nil
Experience and expertise	Property Developer 20 years, Local Business Owner

James Renshaw Chaplin	
Position	Director
Professional qualifications	CA
Experience and expertise	Self employed business consultant

Sue Chidgey	
Position	Director
Professional qualifications	Nil
Experience and expertise	Retired community worker

Trevor John Gerdsen (Appointed 14 June 2018)	
Position	Director
Professional qualifications	MBA
Experience and expertise	Regional director of campuses for the University of Newcastle.

Scott Francis Evans (Appointed 6 July 2018)	
Position	Director
Professional qualifications	B.Ec(Hons), GAICD, Sa Fin.
Experience and expertise	Company secretary of NSX Limited, which is listed on ASX and operates a company providing company secretarial, compliance, regulatory and IT services.

Directors (continued)

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
Director	**A**	**B**
Garry Samuel Morris	10	10
Brian Wilfred Lindbeck	10	8
Kenneth George Howes	10	6
John Kevin Coman	10	7
James Renshaw Chaplin	10	8
Sue Chidgey	10	7
Trevor John Gerdsen (Appointed 14 June 2018)	-	-
Scott Francis Evans (Appointed 6 July 2018)	-	-

A - The number of meetings eligible to attend.

B - The number of meetings attended.

Company Secretary

Kenneth Howes has been the Company Secretary of East Gosford & Districts Financial Services Limited since 2016. Kenneth is a chartered accountant, having expertise in the accounting field for the past 57 years.

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 $109,247 (2017 profit: $113,981), which is a 4.2% decrease as compared with the previous year.
Major transaction for the financial year relates to the large donation to the Community Enterprise Foundation, for the company to utilise for sponsorship and community involvement in future reporting periods.

Dividends

A fully franked final dividend of 2.5 cents per share was declared and paid during the year for the year ended 30 June 2018 (2017: 2 cents)

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

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 6 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Non-audit services

The Board of Directors are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the *Corporations Act 2001* . The Directors are satisfied that the services disclosed in Note 3 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and

- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* .

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, 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. 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.

The Company 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 $1,200 for the year ended 30 June 2018. The estimated benefit per Director is as follows:

	2018 $
Brian Wilfred Lindbeck	1,200
	1,200

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2017	Net change in holdings	Balance at 30 June 2018
Directors			
Garry Samuel Morris	2,250	-	2,250
Brian Wilfred Lindbeck	4,502	-	4,502
Kenneth George Howes	-	-	-
John Kevin Coman	-	-	-
James Renshaw Chaplin	-	-	-
Sue Chidgey	-	-	-
Trevor John Gerdsen (Appointed 14 June 2018)	-	-	-
Scott Francis Evans (Appointed 6 July 2018)	-	-	-

Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at East Gosford on 25 September 2018.

Garry Morris
Director

RSD Audit

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 East Gosford & Districts 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
Chartered Accountants

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 26 September 2018

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	2	2,283,768	2,069,288
Expenses			
Employee benefits expense	3	(1,318,873)	(1,202,645)
Depreciation and amortisation	3	(45,280)	(44,453)
Occupancy expenses		(246,429)	(239,594)
Marketing and advertising		(67,427)	(63,813)
IT costs		(57,594)	(60,554)
Freight/Cartage/Delivery		(26,021)	(45,083)
Insurance		(31,332)	(27,060)
Other expenses		(188,159)	(172,450)
		(1,981,115)	(1,855,652)
Operating profit before charitable donations & sponsorship		**302,653**	**213,636**
Charitable donations and sponsorships		(163,222)	(55,028)
Profit before income tax		**139,431**	**158,608**
Income tax expense	4	(30,184)	(44,627)
Profit for the year after income tax		**109,247**	**113,981**
Total comprehensive income for the year		**109,247**	**113,981**
Profit attributable to members of the company		109,247	113,981
Total comprehensive income attributable to members of the company		**109,247**	**113,981**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	10.98	11.46

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

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Statement of Financial Position
as at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	410,579	242,001
Trade and other receivables	6	207,631	210,965
Financial assets	7	215,440	318,305
Other assets	8	24,308	22,401
Total current assets		**857,958**	**793,672**
Non-current assets			
Financial assets	7	17,961	17,961
Plant and equipment	9	133,521	129,937
Intangible assets	10	80,073	118,461
Deferred tax assets	4	77,933	78,572
Total non-current assets		**309,488**	**344,931**
Total assets		**1,167,446**	**1,138,603**
Liabilities			
Current liabilities			
Trade and other payables	12	112,297	177,034
Current tax liability	4	37,946	28,533
Provisions	13	265,897	277,397
Total current liabilities		**416,140**	**482,964**
Non-current liabilities			
Provisions	13	14,251	2,960
Total non-current liabilities		**14,251**	**2,960**
Total liabilities		**430,391**	**485,924**
Net assets		**737,055**	**652,679**
Equity			
Issued capital	14	709,669	709,669
Retained earnings/(Accumulated losses)	15	27,386	(56,990)
Total equity		**737,055**	**652,679**

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

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Issued capital $	Retained Earnings / Accumulated Losses $	Total equity $
Balance at 1 July 2017		709,669	(56,990)	652,679
Comprehensive income for the year				
Profit for the year		-	109,247	109,247
		-	**109,247**	**109,247**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(24,871)	(24,871)
Balance at 30 June 2018		**709,669**	**27,386**	**737,055**
Balance at 1 July 2016		709,669	(151,074)	558,595
Comprehensive income for the year				
Profit for the year		-	113,981	113,981
		-	**113,981**	**113,981**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	-	(19,897)	(19,897)
Balance at 30 June 2017		**709,669**	**(56,990)**	**652,679**

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

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		2,253,946	2,043,489
Payments to suppliers and employees		(2,166,531)	(1,994,466)
Interest received		13,645	9,346
Net cash flows provided by operating activities	18b	**101,060**	**58,369**
Cash flows from investing activities			
Proceeds from sale of investments		102,865	-
Purchase of plant and equipment		(10,476)	(5,672)
Purchase of investments		-	(4,100)
Net cash flows from/(used in) investing activities		**92,389**	**(9,772)**
Cash flows from financing activities			
Dividends paid		(24,871)	(19,897)
Net cash flows used in financing activities		**(24,871)**	**(19,897)**
Net increase in cash held		**168,578**	**28,700**
Cash and cash equivalents at beginning of financial year		242,001	213,301
Cash and cash equivalents at end of financial year	18a	**410,579**	**242,001**

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

These financial statements and notes represent those of East Gosford & Districts Financial Services Limited.

East Gosford & Districts 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 25 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, were 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 East Gosford, Lisarow & Kincumber, NSW.

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.

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 involved 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.

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 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

1. Summary of significant accounting policies (continued)

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

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.

2. Revenue

	2018 $	2017 $
Revenue		
- service commissions	2,266,490	2,057,838
	2,266,490	2,057,838
Other revenue		
- interest received	13,645	9,346
- other revenue	3,633	2,104
	17,278	11,450
Total revenue	**2,283,768**	**2,069,288**

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

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

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 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	1,141,925	1,054,229
- superannuation costs	120,796	99,316
- other costs	56,152	49,100
	1,318,873	1,202,645
Depreciation and amortisation		
Depreciation		
- furniture & Fittings	2,660	4,170
- leasehold improvements	4,232	1,895
	6,892	6,065
Amortisation		
- franchise fees	6,768	6,768
- management fees	31,620	31,620
	38,388	38,388
Total depreciation and amortisation	45,280	44,453

3. Expenses (continued)

	2018 $	2017 $
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,850	4,717
	5,850	4,717

Operating expenses

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

Depreciation

The depreciable amount of all fixed assets is depreciated over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	*Rate*	*Method*
Leasehold improvements	2.5%	Diminishing value
Furniture and fittings	13-20%	Diminishing value

4. Income tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	37,946	46,553
Deferred tax expense	398	15,084
Recoupment of prior year tax losses	-	(18,020)
Under / (over) provision of prior years	(8,160)	1,010
	30,184	**44,627**

b. Prima facie tax payable

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

	2018 $	2017 $
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	38,344	43,617
Add tax effect of:		
- Under / (over) provision of prior years	(8,160)	480
- Change in company tax rates	-	530
Income tax attributable to the entity	**30,184**	**44,627**
The applicable weighted average effective tax rate is:	21.65%	28.14%

c. Current tax liability

Current tax relates to the following:

	2018 $	2017 $
Current tax liabilities / (assets)		
Opening balance	28,533	-
Income tax paid	(20,131)	-
Current tax	37,946	46,553
Recoupment of prior years tax losses	-	(18,020)
Under / (over) provision prior years	(8,402)	-
	37,946	**28,533**

d. Deferred tax asset

Deferred tax relates to the following:

	2018 $	2017 $
Deferred tax assets comprise:		
Property, plant & equipment	892	1,474
Employee provisions	77,041	77,098
Net deferred tax asset	**77,933**	**78,572**

	2018 $	2017 $
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	156	14,603
Under / (over) provision prior years	242	480
	398	**15,083**

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 from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

5. Cash and cash equivalents

	2018	2017
	$	$
Cash at bank and on hand	410,579	242,001
	410,579	**242,001**

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

6. Trade and other receivables

	2018	2017
	$	$
Current		
Trade receivables	207,631	210,965
	207,631	**210,965**

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.

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 amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2018	$	$	$	$	$	$
Trade receivables	207,631	207,631	-	-	-	-
Total	**207,631**	**207,631**	**-**	**-**	**-**	**-**
2017						
Trade receivables	210,964	210,964	-	-	-	-
Total	**210,964**	**210,964**	**-**	**-**	**-**	**-**

7. Financial assets

	2018 $	2017 $
Held to maturity financial assets		
Term deposits	215,440	318,305
Available for sale financial assets		
Listed investments	17,961	17,961
	233,401	**336,266**

The effective interest rate on the bank deposit was 2.2% (2017: 2.3%). The two deposits are held with Bendigo Bank and are due to mature in February 2019.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:
• loans and receivables,
• held to maturity investments, and
• available for sale assets.

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

Loans and receivables

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The entity classifies investments as held-to-maturity if:
• they are non-derivative financial assets
• they are quoted in an active market
• they have fixed or determinable payments and fixed maturities
• the entity intends to, and is able to, hold them to maturity.

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

7. Financial assets (continued)

(a) Classification of financial assets (continued)

Available for sale financial asset

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

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

(b) Measurement of financial assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

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

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

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

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in other comprehensive income.

7. Financial assets (continued)

(c) Impairment of financial assets

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

Assets carried at amortised cost

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

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

Assets classified as available for sale

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

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

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

(d) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

8. Other assets

	2018 $	2017 $
Prepayments	24,308	22,401
	24,308	**22,401**

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

9. Property, plant and equipment

	2018 $ At cost	2018 $ Accumulated depreciation	2018 $ Written down value	2017 $ At cost	2017 $ Accumulated depreciation	2017 $ Written down value
Furniture and fittings	355,907	(340,916)	14,991	345,431	(338,256)	7,175
Leasehold improvements	166,658	(48,128)	118,530	166,658	(43,896)	122,762
Total property, plant and equipment	**522,565**	**(389,044)**	**133,521**	**512,089**	**(382,152)**	**129,937**

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.

9. Property, plant and equipment (continued)

(a) Capital expenditure commitments

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

(b) Movements in carrying amounts of PP&E

2018	Opening written down value	Additions	Impairments / write-offs	Depreciation	Closing written down value
Furniture and fittings	7,175	10,476	-	(2,660)	14,991
Leasehold improvements	122,762	-	-	(4,232)	118,530
Total property, plant and equipment	**129,937**	**10,476**	**-**	**(6,892)**	**133,521**

2017	Opening written down value	Additions	Impairments / write-offs	Depreciation	Closing written down value
Furniture and fittings	5,673	5,672	-	(4,170)	7,175
Leasehold improvements	124,657	-	-	(1,895)	122,762
Total property, plant and equipment	**130,330**	**5,672**	**-**	**(6,065)**	**129,937**

10. Intangible assets

	2018 $ At cost	2018 $ Accumulated amortisation	2018 $ Written down value	2017 $ At cost	2017 $ Accumulated amortisation	2017 $ Written down value
Franchise fees	33,891	(19,743)	14,148	33,891	(12,975)	20,916
Management fees	158,155	(92,230)	65,925	158,155	(60,610)	97,545
Total intangible assets	**192,046**	**(111,973)**	**80,073**	**192,046**	**(73,585)**	**118,461**

Franchise and management fees have been initially recorded at cost and amortised using a diminishing value basis. 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

2018	Opening written down value	Amortisation	Closing written down value
Franchise fees	20,916	(6,768)	14,148
Management fees	97,545	(31,620)	65,925
Total intangible assets	**118,461**	**(38,388)**	**80,073**

2017	Opening written down value	Amortisation	Closing written down value
Franchise fees	27,684	(6,768)	20,916
Management fees	129,165	(31,620)	97,545
Total intangible assets	**156,849**	**(38,388)**	**118,461**

11. 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.

12. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	27,288	83,740
Other creditors and accruals	85,009	93,294
	112,297	**177,034**

Trade and other payables represent the liabilities for goods and services received by the Company 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.

13. Provisions

	2018 $	2017 $
Current		
Employee benefits	265,897	277,397
Non-current		
Employee benefits	14,251	2,960
Total provisions	**280,148**	**280,357**

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.

13. Provisions (continued)

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 $
994,812 Ordinary shares fully paid	748,258	748,258
Less: Equity raising costs	(38,589)	(38,589)
	709,669	**709,669**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	994,812	994,812
At the end of the reporting period	**994,812**	**994,812**

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

(b) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:
  (a) 20% of the profit or funds of the Company otherwise available for distribution to shareholders in that 12 month period; and
  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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. Retained earnings/(Accumulated losses)

	2018 $	2017 $
Balance at the beginning of the reporting period	(56,990)	(151,074)
Profit for the year after income tax	109,247	113,981
Dividends paid	(24,871)	(19,897)
Balance at the end of the reporting period	**27,386**	**(56,990)**

16. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 2.5 cents per share (2017: 2 cents) franked at the tax rate of 27.5% (2017: 27.5%).	24,871	19,897

17. Earnings per share

	2018 $	2017 $
Basic earnings per share (cents)	10.98	11.46
Earnings used in calculating basic earnings per share	109,247	113,981
Weighted average number of ordinary shares used in calculating basic earnings per share.	994,812	994,812

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 servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

18. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2018 $	2017 $
Cash and cash equivalents (Note 5)	410,579	242,001
As per the Statement of Cash Flow	**410,579**	**242,001**

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

	2018 $	2017 $
Profit for the year after income tax	109,247	113,981
Non-cash flows in profit		
- Depreciation and amortisation	45,280	44,453
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	3,334	(15,985)
- (increase) / decrease in prepayments and other assets	(1,908)	215
- (Increase) / decrease in deferred tax asset	639	15,564
- Increase / (decrease) in trade and other payables	(64,737)	(142,689)
- Increase / (decrease) in current tax liability	9,413	28,533
- Increase / (decrease) in provisions	(209)	14,297
Net cash flows from operating activities	**101,060**	**58,369**

19. 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 Company, directly or indirectly including any Director (whether executive or otherwise) of that Company.

There was no remuneration paid to key management personnel of the Company during the year.

(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.

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

(c) Transactions with key management personnel and related parties

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.

The Company 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 $1,200 for the year ended 30 June 2018.

The estimated benefits from the Bendigo and Adelaide Bank Limited's **Community Bank®** Directors Privileges package per Director is as follows:

	2018	2017
Brian Wilfred Lindbeck	1,200	1,200
	1,200	**1,200**

(d) Key management personnel shareholdings

The number of ordinary shares in the Company held by each key management personnel of the company during the financial year is as follows:

	2018	2017
Brian Wilfred Lindbeck	4,502	4,502
Garry Samuel Morris	2,250	2,250
	6,752	**6,752**

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 one area being East Gosford, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 99% of the revenue (2017: 99%).

24. Commitments

Operating lease commitments

	2018 $	2017 $
Payable:		
- no later than 12 months	174,653	169,914
- between 12 months and five years	179,893	373,675
- greater than five years	-	-
Minimum lease payments	354,546	543,589

The current operating leases relate to rental of premises and are contracted for a period of 5 years, with an attached 5 year option to renew. Operating leases increase on a year by year basis in line with CPI movements.

25. Company details

The registered office and principal place of business is 101 Victoria St, East Gosford NSW 2250

26. 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 $
Financial assets			
Cash and cash equivalents	5	410,579	242,001
Trade and other receivables	6	207,631	210,965
Financial assets	7	215,440	318,305
Total financial assets		**833,650**	**771,271**
Financial liabilities			
Trade and other payables	12	112,297	177,034
Total financial liabilities		**112,297**	**177,034**

(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.

26. 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.

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

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.08%	410,579	410,579	-	-
Trade and other receivables		207,631	207,631	-	-
Financial assets	2.20%	215,440	215,440	-	-
Total anticipated inflows		833,650	833,650	-	-
Financial liabilities					
Trade and other payables		112,297	112,297	-	-
Total expected outflows		112,297	112,297	-	-
Net inflow / (outflow) on financial instruments		**721,353**	**721,353**	**-**	**-**

26. 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 $
Financial assets					
Cash and cash equivalents	1.00%	242,001	242,001	-	-
Trade and other receivables		210,965	210,965	-	-
Financial assets	2.28%	318,305	318,305	-	-
Total anticipated inflows		771,271	771,271	-	-
Financial liabilities					
Trade and other payables		177,034	177,034	-	-
Total expected outflows		177,034	177,034	-	-
Net inflow / (outflow) on financial instruments		**594,237**	**594,237**	**-**	**-**

(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.

The Company is exposed to an immaterial price risk in relation to its listed investments.

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.

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

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates. 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)	6,260	6,260	5,603	5,603
	6,260	6,260	5,603	5,603

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

East Gosford & Districts Financial Services Limited
ABN 90 092 538 620
Directors' Declaration

In accordance with a resolution of the Directors of East Gosford & Districts Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 35 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.

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

Garry Morris
Director

Signed at East Gosford on 25 September 2018.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EAST GOSFORD & DISTRICTS FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of East Gosford & Districts 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:

(a) the financial report of East Gosford & Districts 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

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

Basis for Opinion

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

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

Independence

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report or the year ended 30 June 2018. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Matter
Taxation	
The application of taxation legislation to the Company's accounts is inherently complex and requires judgement to be exercised in relation to estimating tax exposures and quantifying provisions and liabilities. Further disclosure regarding Taxation can be found at Note 1(e) *Critical Accounting Estimates and Judgements* and Note 4 *Income Tax*.	We have performed the following procedures: • Reviewed the income taxation calculations prepared and are satisfied that the calculations are in accordance with the accounting standards and applicable income tax legislation. • Tested the assumptions and forecast taxable income supporting deferred tax assets • Considered the appropriateness of the Company's disclosures regarding current tax matters • Assessed the consistency of assumptions used in estimating provisions and liabilities.
Employee Provisions	
The valuation of employee entitlements are subject to complex estimation techniques and significant judgement. Assumptions required for wage growth and CPI movements, coupled with the estimated likelihood of employees reaching unconditional services is estimated. A small change in assumptions can have a material impact on the financial statements. Further disclosure regarding Employee Provisions can be found at Note 1(e) *Critical Accounting Estimates and Judgements* and Note 13 *Provisions*.	We have performed the following procedures: • Reviewed the employee entitlement calculations and are satisfied that they calculations are in accordance with applicable accounting standards. • Tested the accuracy of the calculations and models used to calculate employee entitlement provisions. • Evaluated the assumptions applied in calculating employee entitlements such as the discount rate and the probability of long service leave vesting conditions being met.

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

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

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

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

Other Information

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

rsd Audit

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

Auditor's Opinion on the Remuneration Report

We have audited the remuneration report included on page 5 of the director's report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report and in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

In our opinion, the remuneration report of East Gosford & Districts Financial Services Limited, for the year ended 30 June 2018 is in accordance with s300A of the *Corporations Act 2001*.

Responsibilities for the Remuneration Report

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 26 September 2018

East Gosford Districts Financial Services Limited
ABN 90 092 538 620
Additional Annual Report Information

East Gosford & Districts Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX)

Shareholding

The following table shows the number of shareholders, segregated into various categories based on the total number of shares held.

Number of shares held at 30 June 2018	Number of shareholders	Number of shares held
1 to 1,000	94	66500
1,001 to 5,000	135	306512
5,001 to 10,000	31	249802
10,001 to 100,000	16	372002
100,001 and over	-	-
Total shareholders	**276**	**994816**

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are seven shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

There is not a current on-market buy-back.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

Company Secretary

Kenneth Howes has been the Company Secretary of East Gosford & Districts Financial Services Limited for two years. Ken's experience includes 57 years in Public Practice and is principal of Howes Accounting Services.

Corporate governance

The company has implemented various corporate governance practices, which include:

(a) The establishment of a Finance, Governance and Audit ommittee. Members of these Committees are Jim Chaplin, Brian Lindbeck, Ken Howes, Trevor Gerdsen & Scott Evans.
(b) Director approval of operating budgets and monitoring of progress against these budgets
(c) Ongoing Director training; and
(d) Monthly Director meetings to discuss performance and strategic plans.

East Gosford Districts Financial Services Limited
ABN 90 092 538 620
Additional Annual Report Information

Twenty largest shareholders

The following table shows the 20 largest shareholders.

Shareholder	Number of fully paid shares held at 30 June 2018	Percentage of issued capital
PKC INVESTMENTS PTY LTD	66500	6.68
SCIPIO NOMINEES PTY LTD	59002	5.93
NORTHERN SUBURBS SECRET	31500	3.17
WINPAR HOLDINGS LIMITED	30000	3.02
MRS SUSAN JOY WILKINS	24500	2.46
MRS MINA SANDERS & MR GRI	17500	1.76
MR ROBERT ZIRKLER & MRS C	17500	1.76
CARON RAE PFYELD	17500	1.76
MR PAUL VANDERSTELT & MR	15000	1.51
MR BENJAMIN CONNELL & MR	15000	1.51
JOHN WARREN PEARCE PTY L	15000	1.51
ROBYN JEAN STONE	15000	1.51
Total of securities	**324002**	**32.57**

Registered office and principal administrative office

The registered office of the company is located at:
101 Victoria Street
East Gosford, NSW, 2250
Phone: (02) 43234559

The principal administrative office of the company is located at:
101 Victoria Street
East Gosford, NSW, 2250
Phone: (02) 43234559

Security register

The security register (share register) is kept at:
AFS & Associates Pty Ltd
61-65 Bull Street
Bendigo VIC 3550
Phone: (03) 5443 0344

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

Five year summary of performance

		2014	2015	2016	2017	2018
Gross revenue	$	1,704,309	1,762,648	1,773,495	2,069,288	2,283,768
Net profit before tax	$	-92,048	-32,719	9,271	158,608	139,431
Total assets	$	896,793	870,735	1,144,377	1,138,602	1,167,446
Total liabilities	$	316,209	313,030	585,783	485,924	430,391
Total equity	$	580,584	557,705	558,594	652,679	737,055

East Gosford **Community Bank®** Branch
101 Victoria Street, East Gosford, NSW, 2250
Phone: (02) 43234559 Fax (02) 43231499
Email: eastgosfordmailbox@bendigoadelaide.com.au

Lisarow **Community Bank®** Branch
Shop 16, Lisarow Plaza Shopping Centre,
2 Parsons Road, Lisarow,NSW, 2250
Phone: (02) 43285472 Fax (02) 432285913
Email: lisarowmailbox@bendigoadelaide.com.au

Kincumber **Community Bank®** Branch
2A/39 Avoca Drive, Kincumber NSW, 2250
Phone: (02) 43632133 Fax (02) 43632866
Email: kincumbermailbox@bendigoadelaide.com.au

Franchisee: East Gosford & Districts Financial Services Ltd
101 Victoria Street, East Gosford, NSW, 2250
Phone: (02) 43234559 Fax (02) 43231499
Email: ken@howas.com.au
ABN: 90 092 538 630
www.bendigobank.com.au
Facebook – Central Coast Branches of Bendigo Bank

(DATE: 10/18)