

# Annual Report 2018

Epping and Districts Financial Services Limited  
ABN 57 104 573 499

**Epping Community Bank<sup>®</sup>** Branch

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# Epping and Districts Financial Services Limited

## Annual Report for the year ended 30 June 2018

### Chairman's Report

The banking royal commission has revealed some damaging allegations about misconduct among some of the nation's major financial institutions. Despite the fact that these revelations have significantly eroded public trust in the banking industry in general, Bendigo Bank has maintained its good reputation in the community.

In April 2018, as revealed in a Roy Morgan survey into Australia's most trusted brands, Bendigo Bank was ranked as the **third** most trusted brand of *all* Australia's companies.

Its satisfaction rating among customers is 96%

In 2017, Bendigo Bank won the National Award for the Corporate Organisation Leading Through Shared Value, presented by the Shared Value Project of Australasia. It was recognised by *Fortune* Magazine as 13<sup>th</sup> out of the top 100 companies which are changing the world.

Bendigo Bank is the country's fifth largest retail bank, and the Community Bank model offers a viable alternative in banking culture – based on mutual trust, respect, goodwill, clear and transparent accountabilities, and - most important of all – tangible community outcomes.

The current financial situation of our Epping Community Bank Branch is very healthy, and looks like remaining so for the immediate future. Despite a difficult period in the financial sector and the tightening of lending parameters across the industry, our hard-working staff have produced some outstanding results. In July this year, for overall lending, our branch was ranked number 1 of all the Bendigo community banks in the Sydney Metropolitan area.

Branch Manager, Stephen Hu, and the staff - Junie Kanlapan, Karen Lee, Anette Uhrig and Mimi Ho - demonstrate commitment and dedication which go well beyond any standard job description. I congratulate them on their excellent and sustained efforts for our branch and for our local community. Our staff are the public face of our business, and they deserve the many compliments for outstanding and helpful service which they receive from our customers.

This year our branch has seen a number of changes and initiatives.

The change of the Company name to *Epping and Districts Financial Services Ltd* better reflects both the local origins of our Company and the expanded business goals which our branch seeks to achieve.

One of our long-standing staff, Dharni Chanmugam, left us for a position much closer to her home, and this has led to changes in staff rosters, but there has been no loss of the excellent customer service for which we are renowned.

Thanks to the efforts of branch volunteer, Margaret Wright, we launched a very successful *Recycle Spot* for stamps, batteries, spectacles and mobile phones. Community response has been very positive.

Our weekday business hours are now 9.30am-5.00pm, which enables staff to do collaborative and structured developmental and training activities prior to the branch opening.

You have been informed of the reasons that we are about to cease trading on Saturday mornings.

However, Stephen will still be available by appointment for discussions on loans and major projects.

Delivering tangible benefits for our many community agencies, schools, church groups, local charities and amateur sporting clubs remains at the heart of our business.

The efforts of our voluntary Directors in initiating and supporting these and other projects makes our company an exciting and stimulating enterprise. I thank them for their passion, commitment and expertise in providing benefits for our customers, our shareholders and our community. Thanks also to Diana Gallagher for the invaluable administrative assistance she provides to the Board.

To our shareholders I say thank you for your financial and community investment in the company, and for your sustained commitment to building a stronger community.

The future holds new challenges, but none of these will be insurmountable for the hard-working partnership of customers, staff, shareholders and Directors at Epping Community Bank Branch.

Robert Phillips,  
**Chairman**



## **Epping and Districts Financial Services Limited**

### **Annual Report for the year ended 30 June 2018**

#### **Manager's Report**

Once again, I have the privilege as Manager of Epping Community Bank® Branch, to report on the great success we have achieved over the past financial year.

Bendigo Bank is one of the Australia's most trusted brands, and as a community branch we continue to focus on adding value to our local community while exploring new opportunities in the banking industry to ultimately grow our business.

It was another challenging year in a highly competitive financial market. The cooling of the Sydney property market, higher funding costs and strict lending criteria made growing business even harder. However, we still managed to achieve 10.5% lending growth, and 19.4% increase in Net Franchise income.

These outcomes could not be achieved without the consistent hard work and commitment of our Epping Community Bank Branch team. I would like to thank our customer service staff of Junie, Karen, Mimi, Anette and Dhami, as well as our community-minded Board of volunteer Directors, for their dedication and tireless efforts to support me and ensure the ongoing success of our business. Earlier in the year we farewelled Dhami who transferred to another community branch after 5 years of dedicated service with our company. She is missed by all of us and many of our customers, who valued her professional and helpful customer service. I also would like to thank our State Office Team for providing consistent support to our branch.

As a full-service bank, we can deliver all the products and services necessary for our customers' banking needs. As a community branch, we are truly part of our local community and supporting our local businesses. Our company is in a unique position to provide quality banking services to our customers while producing great outcomes and support for local communities.

We are confident that our continuing strong business growth positions us well for a very positive long-term outlook. It is never too late to join the bank to experience personalised customer service, and at the same time support the community. As a customer of Epping Community Bank Branch, you are part of something bigger than a bank.

We look forward to serving you throughout another successful year and encourage all shareholders who don't currently bank with us to visit our Epping branch and see how we can assist with your banking needs.

Stephen Hu,  
**Branch Manager**

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## OUR COMMUNITY ENGAGEMENT AND INVESTMENT

We are pleased to outline below the local community beneficiaries of our financial support over the last year:

- ☐ All Saints Anglican Church, North Epping
- ☐ Arden Anglican School, Epping
- ☐ Candlelight Gift Foundation
- ☐ Christian Community Aid, Eastwood
- ☐ Combined Churches Christmas Carols, Boronia Park
- ☐ Epping Boys High School
- ☐ Epping District Athletics Club
- ☐ Epping District Cricket Club
- ☐ Epping North Public School
- ☐ Epping Public School
- ☐ Epping Rams Rugby Club
- ☐ Lions Club of Epping-Eastwood
- ☐ Lunar New Year Festival, Eastwood
- ☐ North Epping Bowling and Community Club
- ☐ North Epping Community Bus
- ☐ North Epping Rangers Sports Club
- ☐ OLHC Primary School, Epping
- ☐ Roselea Public School, Carlingford
- ☐ Rotary Club of Epping
- ☐ Salvation Army Coffee Van, Epping
- ☐ Thriving Communities Events

The Epping Community Bank Branch of Bendigo Bank operates on the principle of **SHARED VALUE**.

Shared Value is

- not just 'shared values', however noble these values might be;
- nor is it just a sense of 'social conscience' or 'social responsibility';
- nor is it just 'corporate philanthropy'.

It is all of these, and much more.

It embodies the link between business success and corporate social responsibility – the success of a company and the social health of the communities around it are mutually dependent.

Our community bank is a franchisee of Bendigo and Adelaide Bank. It uses the bank's infrastructure and expertise to provide local community members with financial and banking services through a successful community business venture. The crucial point of difference from other banks is that, under the terms of the franchise agreement, a community bank reinvests up to 80% of its net profits back into the community to support local initiatives and stimulate community well-being. We are a GENUINE community bank.

Shareholders expect a financial return, but they are also committing to a **community investment** for the benefit of their community as a whole.

The community is at the centre of the business, not at the margins. Our high quality banking services are the means to the end – to generate profits, and thus provide funds to support our community. Since our foundation in 2004, our branch has returned over \$700,000 to the community in a wide variety of projects. We must stress that these funds come from OUR branch, OUR company, not from 'Bendigo Bank'. The members of our community who bank with us receive high quality banking services and are the source of our profits. The more people who bank with our branch, the higher our profits. The higher our profits, the more funds we can pass back into local community projects, and the higher the financial dividends for our shareholders. It is a WIN-WIN-WIN situation.

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# Epping and Districts Financial Services Limited

## Directors' Report

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

### Directors

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

Robert Michael Phillips

Chairman

Occupation: Retired High School Principal

Qualifications, experience and expertise: High school teacher/ Head teacher/ Deputy Principal/ Principal for 37 years; Life Member of NSW Secondary Principals Council; Member of Australian Institute for Teaching and School Leadership; Trained Mediator, Department of Education and Communities; Director of North Epping Bowling and Community Club; Member of UN Women Australia; Member of Rostrum Clubs of NSW; Member of Epping Civic Trust.

Special responsibilities: Chairman and Member of Finance, Governance and Community Funding & Business Development Committees

Interest in shares: 1,000

Craig Eric Gallagher

Deputy Chairman

Occupation: Solicitor

Qualifications, experience and expertise: 36 years Epping/Eastwood suburban Practitioner; 1995 appointed trustee State Sports Centre Trust til its closure; 1998 to March 2012 trustee and Chairman of Parramatta Stadium Trust; from March 2012 to 2017 Chairman of Sydney Local Venue Council and director of Venues NSW Authority; September 2012 appointed trustee Sydney University Centre for Disabilities Studies; member and director of Epping Rotary Club for 19 years.

Special responsibilities: Deputy Chairman and Governance Committee

Interest in shares: Nil

Ian David Bittner

Company Secretary

Occupation: Quality Officer/Risk Manager, Pathology North, Royal North Shore Hospital

Qualifications, experience and expertise: Pathology Administrator - Graduate Diploma in Management, 1997 Adelaide University School of Management; previously worked as Chief General Manager of Operations in Malaysia and Singapore; past President and current Board member of Epping Rotary Inc.; past Treasurer of Lifeway Lutheran Church, Epping; extensive experience in financial management and currently working in risk management.

Special responsibilities: Company Secretary and Chair of Governance Committee

Interest in shares: Nil

Ronald Lester Cardwell

Treasurer

Occupation: Accountant

Qualifications, experience and expertise: Practicing accountant for over 31 years, specialising in insolvency, forensic accounting, and general accounting work. Current director of Australian Religious Film Society Ltd.

Special responsibilities: Treasurer and Finance Committee

Interest in shares: Nil

Wendy Faye Yee-Dempster

Director

Occupation: Business Proprietor

Qualifications, experience and expertise: Managed and operated own hair salon for 27 years; Vice President of the Nissan Patrol 4WD Club of NSW & ACT Inc. Graduate Certificate in Management (Professional Practice) Charles Sturt University, MBA Charles Sturt University, Graduate of the Australian Institute of Company Directors. Member BEN Community Bank National Council, Community Bank Chair of Sydney Metro Marketing Cluster.

Special responsibilities: Community Funding & Business Development Committee and Governance Committee

Interest in shares: 10,501

# Epping and Districts Financial Services Limited

## Directors' Report

### Directors (*continued*)

Stefan Walenty Sojka

Director

Occupation: Creative Director, Consultant, Producer

Qualifications, experience and expertise: Company Director, Cyrius Media Group Pty Ltd. Riverside Business Chamber of Commerce. The Rotary Club of Ryde including various roles: PR Director, Webmaster & Community Services Director and Member of City of Ryde Economic Development Advisory Committee since 2008. Member of Macquarie Park Forum.

Special responsibilities: Chairman of Community Funding & Business Development Committee

Interest in shares: Nil

Kristina Therese Coffey

Director

Occupation: Superannuation Advisor

Qualifications, experience and expertise: Bachelor of Business, Advanced Diploma of Financial Planning, Certificate IV in Training and Assessment.

Special responsibilities: Finance Committee

Interest in shares: Nil

Alan Bede Marsh

Director (*Appointed 17 July 2017*)

Occupation: Retired CEO of Sydney Olympic Park Authority

Qualifications, experience and expertise: Holds an MBA, Bachelor Business (Distinction), Public Administration Certificate, and is a Certified Practising Accountant of the Australian Society of CPAs. Former director of Sydney Olympic Park Business Association and current member of Sydney Olympic Park Authority Board (ex officio). Has worked in a variety of executive-level positions for companies including Sydney Olympic Park Authority, NSW Department of Commerce, NSW Premier's Department, Olympic Coordination Authority and Darling Harbour Authority.

Special responsibilities: Chairman of Finance Committee and Member of Governance Committee

Interest in shares: Nil

Graham Harvey Boyd

Director (*Resigned 21 November 2017*)

Occupation: Administrator

Qualifications, experience and expertise: Marketing and sales management, small business ownership, business administration. Member and employee of All Saints Anglican Church, North Epping. B.Comm (UNSW).

Special responsibilities: Finance Committee

Interest in shares: 1,000

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

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

### Company Secretary

The company secretary is Ian David Bittner. Ian was appointed to the position of secretary on 21 November 2017 after Craig Eric Gallagher stood down from the role.

Ian has a Graduate Diploma in Management, 1997 and has worked as Chief General Manager of Operations he has been a past Treasurer and has extensive experience in financial management and currently working in risk management.

### Principal Activities

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

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

# Epping and Districts Financial Services Limited

## Directors' Report

### Operating results

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

Year ended 30 June 2018	Year ended 30 June 2017
\$	\$
117,014	92,908

Dividends	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	3	15,330
Provision raised for the next year's dividends	4	20,440

### Significant changes in the state of affairs

In a special meeting held on 28 February 2018, it was unanimously resolved to change the company name from North Epping Financial Services Limited to Epping and Districts Financial Services Limited. In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

### Indemnification and insurance of directors and officers

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

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

# Epping and Districts Financial Services Limited

## Directors' Report

### Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Governance		Community Funding & Business Development		Finance	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
Robert Michael Phillips	13	13	1	1	10	9	1	1
Craig Eric Gallagher	13	10	1	1	-	-	-	-
Ian David Bittner	13	12	1	1	-	-	-	-
Ronald Lester Cardwell	13	12	-	-	-	-	5	5
Wendy Faye Yee-Dempster	13	11	1	1	10	8	-	-
Stefan Walenty Sojka	13	10	-	-	10	10	-	-
Kristina Therese Coffey	13	12	-	-	-	-	5	5
Alan Bede Marsh ( <i>Appointed 17 July 2017</i> )	13	10	-	-	-	-	5	5
Graham Harvey Boyd ( <i>Resigned 21 November 2017</i> )	4	4	-	-	-	-	-	-

*A - eligible to attend*

*B - number attended*

### Proceedings on behalf of the company

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

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

### Non audit services

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

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

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

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



# Epping and Districts Financial Services Limited

## Directors' Report

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Epping, New South Wales on 21 September 2018.

A handwritten signature in black ink, reading "Robert Michael Phillips", is written over a horizontal line.

Robert Michael Phillips, Chairman



**Partners in success**

**Chartered Accountants**

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

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Epping and Districts Financial Services Limited**

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 21 September 2018

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

Epping and Districts Financial Services Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	987,296	859,472
Employee benefits expense		(378,489)	(400,049)
Charitable donations, sponsorship, advertising and promotion		(165,966)	(42,122)
Occupancy and associated costs		(91,495)	(89,573)
Systems costs		(58,313)	(65,872)
Depreciation and amortisation expense	5	(47,961)	(48,814)
General administration expenses		(83,013)	(84,729)
<b>Profit before income tax expense</b>		<b>162,059</b>	<b>128,313</b>
Income tax expense	6	(45,045)	(35,405)
<b>Profit after income tax expense</b>		<b>117,014</b>	<b>92,908</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>			
		<b>117,014</b>	<b>92,908</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	22	22.90	18.18

The accompanying notes form part of these financial statements

# Epping and Districts Financial Services Limited

## Balance Sheet

as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	578,888	404,470
Trade and other receivables	8	82,841	82,591
<b>Total current assets</b>		<b>661,729</b>	<b>487,061</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	100,800	133,887
Intangible assets	10	4,581	18,324
Deferred tax asset	11	19,689	15,178
<b>Total non-current assets</b>		<b>125,070</b>	<b>167,389</b>
<b>Total assets</b>		<b>786,799</b>	<b>654,450</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	61,041	50,355
Current tax liabilities	11	49,168	25,764
Provisions	13	26,223	22,692
<b>Total current liabilities</b>		<b>136,432</b>	<b>98,811</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	8,482	13,839
Provisions	13	12,224	8,713
<b>Total non-current liabilities</b>		<b>20,706</b>	<b>22,552</b>
<b>Total liabilities</b>		<b>157,138</b>	<b>121,363</b>
<b>Net assets</b>		<b>629,661</b>	<b>533,087</b>
<b>EQUITY</b>			
Issued capital	14	479,929	479,929
Retained earnings	15	149,732	53,158
<b>Total equity</b>		<b>629,661</b>	<b>533,087</b>

The accompanying notes form part of these financial statements

Epping and Districts Financial Services Limited  
Statement of Changes in Equity  
for the year ended 30 June 2018

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2016</b>		479,929	6,241	486,170
Total comprehensive income for the year		-	92,908	92,908
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(45,991)	(45,991)
<b>Balance at 30 June 2017</b>		<b>479,929</b>	<b>53,158</b>	<b>533,087</b>
<b>Balance at 1 July 2017</b>		479,929	53,158	533,087
Total comprehensive income for the year		-	117,014	117,014
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(20,440)	(20,440)
<b>Balance at 30 June 2018</b>		<b>479,929</b>	<b>149,732</b>	<b>629,661</b>

The accompanying notes form part of these financial statements

Epping and Districts Financial Services Limited  
Statement of Cash Flows  
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,074,848	921,069
Payments to suppliers and employees		(863,688)	(761,119)
Interest received		5,871	3,755
Income tax paid		(26,152)	-
<b>Net cash provided by operating activities</b>	16	<b>190,879</b>	<b>163,705</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,131)	(1,704)
<b>Net cash used in investing activities</b>		<b>(1,131)</b>	<b>(1,704)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	20	(15,330)	(30,661)
<b>Net cash used in financing activities</b>		<b>(15,330)</b>	<b>(30,661)</b>
<b>Net increase in cash held</b>		<b>174,418</b>	<b>131,340</b>
Cash and cash equivalents at the beginning of the financial year		404,470	273,130
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b>578,888</b>	<b>404,470</b>

The accompanying notes form part of these financial statements

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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### Note 1. Summary of significant accounting policies

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#### a) Basis of preparation

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

#### *Compliance with IFRS*

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

#### *Critical accounting estimates*

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

#### *Historical cost convention*

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

#### *Comparative figures*

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

#### *Application of new and amended accounting standards*

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

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

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

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

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

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

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

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating lease amount to \$210,153, on an undiscounted basis (see Note 17).

No significant impact is expected for the company's finance leases.

##### *Economic dependency - Bendigo and Adelaide Bank Limited*

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

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

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

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

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

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

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

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



# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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

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**b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

*Revenue calculation*

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

*Core banking products*

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

*Margin*

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- *plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

*Commission*

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

*Fee income*

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

*Discretionary financial contributions*

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

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

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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

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**b) Revenue (*continued*)**

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

**Ability to change financial return**

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

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

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

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

**Monitoring and changing financial return**

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

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

**c) Income tax****Current tax**

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

**Deferred tax**

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

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

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

***Current and deferred tax for the period***

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

**d) Employee entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

**e) Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

**f) Trade receivables and payables**

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

**g) Property, plant and equipment**

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

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

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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

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**g) Property, plant and equipment (*continued*)**

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

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 40	years

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**i) Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

**k) Financial instruments***Recognition and initial measurement*

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*Classification and subsequent measurement**(i) Loans and receivables*

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

*(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

*(iii) Financial liabilities*

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

*Impairment*

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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

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**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) Provisions**

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

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

**n) Issued capital**

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

**o) Earnings per share**

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

**p) Goods and Services Tax**

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

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

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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### Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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### Note 3. Critical accounting estimates and judgements

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Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### *Taxation*

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

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

#### *Estimation of useful lives of assets*

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

#### *Impairment of assets*

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

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

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

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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

#### Impairment of assets (continued)

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

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities:		
- gross margin	856,310	711,861
- services commissions	45,883	61,077
- fee income	59,232	61,053
- market development fund	20,000	21,250
Total revenue from operating activities	<u>981,425</u>	<u>855,241</u>
Non-operating activities:		
- gain on sale of fixed asset	-	136
- interest received	5,871	4,095
Total revenue from non-operating activities	<u>5,871</u>	<u>4,231</u>
Total revenues from ordinary activities	<u>987,296</u>	<u>859,472</u>

### Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	3,920	4,871
- leasehold improvements	30,298	30,200
Amortisation of non-current assets:		
- franchise agreement	2,291	2,292
- franchise renewal fee	11,452	11,451
	<u>47,961</u>	<u>48,814</u>
Bad debts	<u>13</u>	<u>60</u>



Epping and Districts Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2018

Note 6. Income tax expense	2018	2017
	\$	\$
The components of tax expense comprise:		
- Current tax	49,168	25,764
- Movement in deferred tax	(4,511)	945
- Recoupment of prior year tax losses	-	8,585
- Under/(Over) provision of tax in the prior period	388	111
	<u>45,045</u>	<u>35,405</u>

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

Operating profit	162,059	128,313
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	44,566	35,286
Add tax effect of:		
- non-deductible expenses	91	8
- timing difference expenses	4,511	(945)
	<u>49,168</u>	<u>34,349</u>
Movement in deferred tax	(4,511)	945
Adjustment to deferred tax to reflect change of tax rate in future periods	-	-
Under/(Over) provision of income tax in the prior year	388	111
	<u>45,045</u>	<u>35,405</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	231,426	239,437
Term deposits	347,462	165,033
	<u>578,888</u>	<u>404,470</u>

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	231,426	239,437
Term deposits	347,462	165,033
	<u>578,888</u>	<u>404,470</u>

Epping and Districts Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2018

<b>Note 8. Trade and other receivables</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	72,570	69,641
Prepayments	8,397	12,132
Other receivables and accruals	1,874	818
	<u>82,841</u>	<u>82,591</u>

<b>Note 9. Property, plant and equipment</b>		
Leasehold improvements		
At cost	213,494	212,363
Less accumulated depreciation	(125,602)	(95,304)
	<u>87,892</u>	<u>117,059</u>
Plant and equipment		
At cost	41,414	41,414
Less accumulated depreciation	(28,506)	(24,586)
	<u>12,908</u>	<u>16,828</u>
Total written down amount	<u>100,800</u>	<u>133,887</u>

**Movements in carrying amounts:**

Leasehold improvements		
Carrying amount at beginning	117,059	147,259
Additions	-	-
Disposals	-	-
Less: depreciation expense	(30,298)	(30,200)
Carrying amount at end	<u>86,761</u>	<u>117,059</u>
Plant and equipment		
Carrying amount at beginning	16,828	19,995
Additions	1,131	1,704
Disposals	-	-
Less: depreciation expense	(3,920)	(4,871)
Carrying amount at end	<u>14,039</u>	<u>16,828</u>
Total written down amount	<u>100,800</u>	<u>133,887</u>

Epping and Districts Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2018

<b>Note 10. Intangible assets</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Franchise fee		
At cost	72,930	72,930
Less: accumulated amortisation	(72,166)	(69,875)
	<u>764</u>	<u>3,055</u>
Renewal processing fee		
At cost	114,645	114,645
Less: accumulated amortisation	(110,828)	(99,376)
	<u>3,817</u>	<u>15,269</u>
Total written down amount	<u>4,581</u>	<u>18,324</u>

**Note 11. Tax**

**Current:**

Income tax payable	<u>49,168</u>	<u>25,764</u>
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**Non-Current:**

Deferred tax assets		
- accruals	248	729
- employee provisions	14,379	13,915
- property, plant and equipment	5,509	690
	<u>20,136</u>	<u>15,334</u>
Deferred tax liability		
- accruals	447	156
	<u>447</u>	<u>156</u>
Net deferred tax asset	<u>19,689</u>	<u>15,178</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(4,511)</u>	<u>9,641</u>

**Note 12. Trade and other payables**

**Current:**

Other creditors and accruals	<u>61,041</u>	<u>50,355</u>
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**Non-Current:**

Other creditors and accruals	<u>8,482</u>	<u>13,839</u>
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# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions	2018	2017
	\$	\$
<b>Current:</b>		
Provision for annual leave	23,453	20,713
Provision for long service leave	2,770	1,979
	<u>26,223</u>	<u>22,692</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>12,224</u>	<u>8,713</u>
<b>Note 14. Issued capital</b>		
511,008 ordinary shares fully paid (2017: 511,008)	511,008	511,008
Less: equity raising expenses	(31,079)	(31,079)
	<u>479,929</u>	<u>479,929</u>

Rights attached to shares

(a) *Voting rights*

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

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

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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### Note 14. Issued capital *(continued)*

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#### Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

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

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

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

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

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Note 15. Retained earnings	2018	2017
	\$	\$
Balance at the beginning of the financial year	53,158	6,241
Net profit from ordinary activities after income tax	117,014	92,908
Dividends provided for or paid	(20,440)	(45,991)
Balance at the end of the financial year	<u>149,732</u>	<u>53,158</u>

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# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

<b>Note 16. Statement of cash flows</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	117,014	92,908
Non cash items:		
- depreciation	34,218	35,071
- amortisation	13,743	13,743
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(250)	(14,884)
- (increase)/decrease in other assets	(4,511)	9,641
- increase/(decrease) in payables	219	(1,550)
- increase/(decrease) in provisions	7,042	3,012
- increase/(decrease) in tax liabilities	23,404	25,764
Net cash flows provided by operating activities	<u>190,879</u>	<u>163,705</u>

### **Note 17. Leases**

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	81,350	79,833
- between 12 months and 5 years	128,803	206,235
- greater than 5 years	-	-
	<u>210,153</u>	<u>286,067</u>

The property lease commenced on 1 February 2014 and is a non-cancellable lease with a seven year term, with the option to renew for a further seven years in February 2021. Rent is payable monthly in advance and increases annually in line with CPI.

### **Note 18. Auditor's remuneration**

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,400	4,200
- non audit services	4,509	3,575
	<u>8,909</u>	<u>7,775</u>

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 19. Director and related party disclosures

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

Robert Michael Phillips  
 Craig Eric Gallagher  
 Ian David Bittner (*Appointed 29 July 2016*)  
 Ronald Lester Cardwell  
 Wendy Faye Yee-Dempster  
 Stefan Walenty Sojka  
 Kristina Therese Coffey  
 Alan Bede Marsh (*Appointed 17 July 2017*)  
 Graham Harvey Boyd (*Resigned 21 November 2017*)

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

Directors Shareholdings	2018	2017
Robert Michael Phillips	1,000	1,000
Craig Eric Gallagher	-	-
Ian David Bittner	-	-
Ronald Lester Cardwell	-	-
Wendy Faye Yee-Dempster	10,501	10,501
Stefan Walenty Sojka	-	-
Kristina Therese Coffey	-	-
Alan Bede Marsh ( <i>Appointed 17 July 2017</i> )	-	-
Graham Harvey Boyd ( <i>Resigned 21 November 2017</i> )	1,000	1,000

There was no movement in directors shareholdings during the year.

Note 20. Dividends provided for or paid	2018	2017
	\$	\$
<b>a. Dividends paid during the year</b>		
Current year interim dividend		
Fully franked dividend - 3 cents (2017: 3 cents) per share	<u>15,330</u>	<u>15,330</u>
Current year final dividend		
Fully franked dividend - Nil (2017: 3 cents) per share	<u>-</u>	<u>15,330</u>
<b>b. Dividends proposed and recognised as a liability</b>		
Current year final dividend		
Fully franked dividend - 4 cents (2017: Nil) per share	<u>20,440</u>	<u>-</u>
Next year interim dividend		
Fully franked dividend - Nil (2017: 3 cents) per share	<u>-</u>	<u>15,330</u>

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Dividends provided for or paid ( <i>continued</i> )	2018	2017
	\$	\$
<i>c. Franking account balance</i>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	126,233	100,069
- franking credits that will arise from payment of income tax as at the end of the financial year	43,668	22,464
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(7,753)	(5,815)
Franking credits available for future financial reporting periods:	162,148	116,718
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	<u>162,148</u>	<u>116,718</u>

### Note 21. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

### Community Bank® Directors' Privileges Package

The board has adopted the **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 **Community Bank®** branch at Epping, New South Wales. There is no requirement to own BEN 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 total benefits received by the directors from the Directors' Privilege Package are nil for the year ended 30 June 2018 (2017: \$2,018).

Note 22. Earnings per share	2018	2017
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	117,014	92,908
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	511,008	511,008

### Note 23. Events occurring after the reporting date

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



# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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**Note 24. Contingent liabilities and contingent assets**

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

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**Note 25. Segment reporting**

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The economic entity operates in the service sector where it facilitates **Community Bank®** services in Epping, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

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**Note 26. Registered office/Principal place of business**

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

Registered Office	Principal Place of Business
Shop 3/2-6 Oxford Street Epping NSW 2121	Shop 3/2-6 Oxford Street Epping NSW 2121

# Epping and Districts Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 27. Financial instruments

#### Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	231,326	239,337	347,462	165,033	-	-	-	-	100	100	1.05	1.23
Receivables	-	-	-	-	-	-	-	-	72,570	69,641	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	-	45	N/A	N/A

#### Net Fair Values

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

#### Credit Risk

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

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

#### Interest Rate Risk

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

#### Sensitivity Analysis

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

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

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	5,788	4,044
Decrease in interest rate by 1%	(5,788)	(4,044)
Change in equity		
Increase in interest rate by 1%	5,788	4,044
Decrease in interest rate by 1%	(5,788)	(4,044)

# Epping and Districts Financial Services Limited

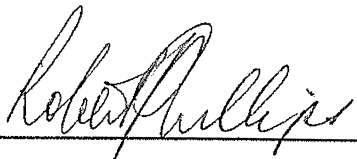
## Directors' Declaration

In accordance with a resolution of the directors of Epping and Districts Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Robert Michael Phillips, Chairman

Signed on the 21st of September 2018.

## **Independent auditor's report to the members of Epping and Districts Financial Services Limited**

### **Report on the audit of the financial statements**

#### **Our opinion**

In our opinion, the financial report of Epping and 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 ended on that date; and
- ii. complying with Australian Accounting Standards.

#### **What we have audited**

Epping and Districts Financial Services Limited's (the company) financial report comprises the:

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

#### **Basis for opinion**

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

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

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

#### **Other information**

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

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

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

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

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

### **Directors' responsibility for the financial report**

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

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

### **Auditor's responsibility for the audit of the financial report**

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

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 21 September 2018



**David Hutchings**  
Lead Auditor

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Epping **Community Bank**<sup>®</sup> Branch  
3/2 Oxford Street, Epping NSW 2121  
Phone: (02) 9869 0818 Fax (02) 9869 0979

Franchisee: Epping and Districts Financial Services Limited  
3/2 Oxford Street, Epping NSW 2121  
Phone: (02) 9869 0818 Fax (02) 9869 0979  
Email: edfs2121@gmail.com

ABN: 57 104 573 499

Share Registry:  
3/2 Oxford Street, Epping NSW 2121

“Supporting the growth and strength of our community using profits from high quality banking services:  
Vision Statement: Epping and Districts Financial Services Limited

18 October 2018

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[www.facebook.com/epping \*\*Community Bank\*\*<sup>®</sup> Branch](https://www.facebook.com/epping-Community-Bank-Branch)