2018
Annual Report

Knox Community Financial Services Limited

ABN 88 093 823 708

Fern Tree Gully **Community Bank**® Branch
Rowville **Community Bank**® Branch
Caribbean Park Business Centre (cashless) branch

Contents

Chairman's report

For year ending 30 June 2018

I am pleased to present this year's annual report. The banking sector has been under necessary scrutiny through the Banking Royal commission. While there always areas for improvement it must be noted that Bendigo and Adelaide Bank Limted has maintained its reputation throughout the process. The economy has had its own challenges and our results reflect this.

Our main source of revenue is the margins received based on the Footings held. The Footings comprise all the Deposit, Loan, Treasury, and Insurance accounts held by our banking customers.

Our combined footings are now over $300 million, an increase of over $26.2 million from last year.

At the same time we saw a reduction in margin contributions resulting in overall revenue in line with last year. This shows that we must always seek to grow our overall footings for our end results to increase.

This is the main reason behind the Board's decision to open a new site in the Caribbean Park Business estate. This site is a cashless branch and offers a glimpse to what banking in the future may look like.

Caribbean Park will eventually house some 2,000 businesses with some 20,000 employees.

Your company now operates from three business locations:

- Ferntree Gully **Community Bank**® Branch
- Rowville **Community Bank**® Branch
- Caribbean Park Business Centre (cashless) branch.

The set up and staff costs for Caribbean have been allocated for. This puts your company in a great position to continue growing the footings and revenue base and maintain our focus on community contributions.

The opening of the Caribbean site coincided with the Community Grants awards night. Both events were well attended by shareholders and community partners. This year an amount of $54,000 was distributed to several community organisations. Recipients spoke passionately about their organisations, and feedback from shareholders present show the focus on community support remains one of our key purposes. I wish to thank all those that made the Grants awards such a rewarding experience.

Your Directors have recommended 15 cents per share dividend to be paid for the 2017/18 financial year.

The success of our company is possible due to the hard work and leadership displayed by both Mick Spruhan, Senior Bank Manager, and Tina Leslie, Business Manager. Both are well supported by a enthusiastic leadership team with our three site Managers and our Business Development Manager. It is our branch staff that deserve our highest praise. They continue to present the Bendigo and Adelaide Bank Limited community point of difference. It has been pleasing to see the return of staff that had resigned for various reasons in the recent past. This shows that our renewed plans and structures are making a difference. On behalf of the Board, I wish to thank and acknowledge all staff for their part in our success.

We have invested in our digital marketing recognising that improved expose across all levels of web and social media will improve our brand recognition and enable better community connections. The focus for 2018 has been in the areas of Facebook and the company website.

Our partners are of course Bendigo and Adelaide Bank Limited (BEN). Their systems and support make the whole **Community Bank**® model possible. BEN continues to review its processes and procedures. The banking compliance requirements for all staff and Directors require strong links with our BEN representatives. I wish to thank our two key BEN partners:

- Gabriella Butler – Regional Community Manager, and
- Marisa Dickins – Regional Manager.

Chairman’s report (continued)

Gabriella works with us at the Board level. Her enthusiasm and diligence have made our task that much easier.

Marisa works with us at the staff and branch level. Again, like Gabriella, Marisa’s support, guidance, and advice has been invaluable. Marisa also Project Managed the Caribbean Site establishment and fit out process. The time and effort is noted by the whole Board.

We also pass on our thanks to all Bendigo and Adelaide Bank Limited regional and corporate staff for their ongoing support.

I wish to thank all our Directors that served over the 2017/18 period. The time, commitment, concentration, and diligence required is recognised. We have been through some changes throughout the year and the current Board enjoys a united position. Our strategic review highlighted our focus on community and supporting initiatives that enable our community groups to prosper.

Finally, and most importantly, I wish the thank all shareholders and clients who continue to support and advocate on our behalf the **Community Bank**® model.

We all rely on each another, and together I am confident that our company will continue to grow, our point of difference will be noted, and our return to community will benefit us all in the years ahead.

Etienne Clauw
Chair

Senior Manager’s report

For year ending 30 June 2018

2018 saw the combined balances at both sites increase by $26.2 million and they now sit at $316.8 million.

This was another strong effort in the current market considering how competitive the environment is for lending and deposit gathering, as well as the age of our book.

In the 2017/18 financial year, it felt like we spent most of the year advertising for and interviewing staff for vacancies that occurred. We even had two employees leave for another **Community Bank**® branch, only to return to us when vacancies occurred later in the financial year. Something of a first I am thinking.

New staff included: Aaron (Senior Customer Relationship Manager); Tina (Customer Relationship Manager), one of the returnees; Annette (Mobile Relationship Manager); Rebecca (Customer Relationship Officer), the other returnee; Zac (Customer Service Officer) and Tarryn (Customer Service Officer).

The big news for 2018 was the establishment of our new cashless branch at the Caribbean Park Business Centre. This is a new style “branch” and is based in the Waterman complex. Being based there also enables us to utilise the Waterman facilities at Narre Warren and Chadstone. The site is home for Annette and Rebecca and is a prototype for Bendigo and Adelaide Bank Limited. We are very pleased to have been able to partner with Bendigo and Adelaide Bank Limited in this initiative.

During the year, we also successfully trialled a new method of providing clubs with funds for projects. Goal set and agreed upon; short time period to achieve goal; club buy in from Board/committee level. This was quite successful, thanks to it being driven from within the club by their committee and the work done by our staff to process everything in a timely fashion. We already have another two clubs underway for 2019.

From the regular compliments we receive from our customers, it is clear and evident that our face-to-face service is what sets us apart from the other banks. Try waiting at any of the majors for service!

The **Community Bank**® model is all about relationship building. If you don’t see us as your preferred bank, why not?

The equation here is very simple: the more banking that is conducted by you, your family, your club or group with us, the more funds we can put back into the community.

Our success in 2018 is in no small way achieved through the efforts of the staff at all levels. My sincere thanks go to everybody from the Knox **Community Bank**® Group for your efforts in making 2018 one of our better years for growth.

The challenge doesn’t diminish in 2019 and neither will our efforts.

Mick Spruhan
Senior Manager

Finance report

For year ending 30 June 2018

During 2017/18 we continued our growth which contributed to the good financial result for the year.

You will read in other reports the total of our growth, resulting in increased income of $48,879.

Our income from Bendigo and Adelaide Bank Limited is calculated under a formula called, Funds Transfer Pricing, even though we can have considerable growth in our balances the income generated may fluctuate due to the costs that are taken into calculating the payment, e.g. if the price of raising money in the markets increases, as it did last year, the bank has to pay a premium to fund its products, such as loans, resulting in us receiving less margin. If the markets ease the reverse would apply and our income would increase accordingly.

Although our profit was reduced, mainly due to our increase spending in the areas of community contributions, $81,682 and occupancy costs, $22,599, due to the opening of the Caribbean office.

The spend in community contributions, I believe, is one of the core values that our shareholders places on the Directors.

It is not only the financial results are important to us, our social contribution to the community we serve is the one area we can make a difference, and we do, all shareholders should be proud to be part of a business that contributes substantial funds back to where it should be, our community.

Your current Board is driven to ensure we are socially relevant.

As can be seen in the financial report your company is in a strong financial position, this is thanks to the diligent work that is done by our Management team in making sure we are growing, and our expenditure is monitored.

We have been able to maintain the dividend payment at the same level as last year.

I am confident we will be able to continue our growth and maintain our financial management to ensure 2018/19 year will be as strong as before.

John Surridge
Finance Director

Directors' report

For the financial year ended 30 June 2018

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

Directors

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

Eitenne Clauw

Position	Chairman
Experience and expertise	Etienne holds a Bachelor of Engineering (Elec). Etienne is the Chair of the Marketing Committee.

John Surridge

Position	Secretary Finance
Experience and expertise	Johns holds a Diploma of Management, Diploma of Retail Management and Graduate Certificate in Management.

Phillip Reibelt

Position	Human Resources
Experience and expertise	Phillip has worked in Workforce Management for several years.

Anthony Holland

Position	Deputy Chair
Experience and expertise	Anthony hold a Certificate IV in Property and is a current Director of Officer Real Estate Pty Ltd.

Desmond Higginbotham

Position	Deputy Chair
Experience and expertise	Desmond has a Bachelor of Commerce, DipEd and Grad DIP Sec ST. Desmond is also a current director of Lyndee Properties.

Richard Best

(Appointed November 2017)

Position	Governance
Experience and expertise	Former Solicitor.

Cathy Doulgeris

(Appointed 7 February 2018, Resigned 22 June 2018)

Position	Finance
Experience and expertise	Cathy has a Bachelor of Commerce and CPA. Cathy runs her own practice and has been in business for over eight years.

Jeffrey Somers

(Resigned 22 November 2017)

Position	Ex-Chairman
Experience and expertise	Jeffrey is a long standing school principal and current director of the Glen Waverly Golf Club (11 years).

Directors (continued)

Darren Pearce
(Resigned 22 November 2017)

Position	Ex-Director
Experience and expertise	Darren has a Bachelor of Economics, MBA and GAICD and is a current director of Turnkey Profit Solutions.

Katherine Harris
(Resigned 22 November 2017)

Position	Ex-HR Director
Experience and expertise	Katherine works in Economic Development with the Knox City Council.

Richard Kent
(Resigned 22 November 2017)

Position	Ex-Director
Experience and expertise	Richard is a registered legal practitioner and is a partner in the firm Mackinnon Jacobs Lawyers. Richard is also an ex-director of Tuville Pty Ltd, a financial mortgage broking entity.

Rosemary Hermans
(Appointed 9 October 2017, Resigned 22 November 2017)

Position	Ex-Director
Experience and expertise	Rosemary was a short term appointment.

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**
Eitenne Clauw	12	10
John Surridge	12	10
Phillip Reibelt	12	9
Anthony Holland	12	8
Desmond Higginbotham	12	12
Richard Best	6	3
Cathy Doulgeris	6	6
Jeffrey Somers	5	5
Darren Pearce	5	5
Katherine Harris	5	5
Richard Kent	5	5
Rosemary Hermans	5	5

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

Company Secretary

Knox Community Financial Services Limited since 2016. John Surridge's qualifications and experience include Diploma of Management, Diploma of Retail Management and a Graduate Certificate in Management.

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 $358,062 (2017 profit: $409,069), which is a 12.5% decrease as compared with the previous year.

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

Dividends

A fully franked final dividend of 15 cents per share $117,113 was declared and paid during the year for the year ended 30 June 2017. No dividend has been declared or paid for the year ended 30 June 2018 as yet.

Options

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

Significant changes in the state of affairs

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

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 not 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.

Directors' report (continued)

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

Signed in accordance with a resolution of the Board of Directors at Ferntree Gully on 28 September 2018.

John Surridge
Director

Auditor's independence declaration

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 Knox Community Financial Services Limited

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

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the audit; and
(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 28 September 2018

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 85 619 186 908
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

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

	Notes	2018 $	2017 $
Revenue	2	2,347,001	2,298,126
Expenses			
Employee benefits expense	3	(1,224,892)	(1,209,024)
Depreciation and amortisation	3	(43,632)	(52,427)
Bad and doubtful debts expense	3	(1,011)	(439)
Occupancy expenses		(151,352)	(128,753)
IT expenses		(45,368)	(41,198)
Advertising and marketing expenses		(53,531)	(29,083)
Professional Fees		(28,127)	(28,465)
Other expenses from ordinary activities		(162,462)	(157,350)
		(1,710,375)	**(1,646,739)**
Operating profit before charitable donations & sponsorship		**636,626**	**651,387**
Charitable donations and sponsorships		(141,211)	(83,977)
Profit before income tax		495,415	567,410
Income tax expense	4	(137,353)	(158,341)
Profit for the year after income tax		**358,062**	**409,069**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings		603,496	-
Income tax on items that will not be reclassified to profit or loss		(165,961)	-
Items that may be reclassified to profit or loss:			
Available for sale financial assets		(11,123)	-
Income tax on items that may be reclassified to profit or loss		3,059	-
Other comprehensive income for the period, net of tax		**429,471**	**-**
Total comprehensive income for the year		**787,533**	**409,069**
Profit attributable to members of the company		787,533	409,069
Total comprehensive income attributable to members of the company		**787,533**	**409,069**
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	45.86	52.39

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

Statement of Financial Position
as at 30 June 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	851,507	638,461
Trade and other receivables	6	201,130	199,904
Financial assets	7	588,295	600,000
Total current assets		**1,640,932**	**1,438,365**
Non-current assets			
Property, plant and equipment	8	1,431,138	844,011
Intangible assets	9	42,702	66,445
Deferred tax assets	4	-	88,452
Total non-current assets		**1,473,840**	**998,908**
Total assets		**3,114,772**	**2,437,273**
Liabilities			
Current liabilities			
Trade and other payables	11	124,175	105,848
Current tax liability	4	1,015	80,398
Provisions	12	154,971	179,499
Total current liabilities		**280,161**	**365,745**
Non-current liabilities			
Provisions	12	24,490	24,758
Deferred tax liability	4	92,931	-
Total non-current liabilities		**117,421**	**24,758**
Total liabilities		**397,582**	**390,503**
Net assets		**2,717,190**	**2,046,770**
Equity			
Issued capital	13	780,750	780,750
Retained earnings	14	1,506,969	1,266,020
Reserves	15	429,471	-
Total equity		**2,717,190**	**2,046,770**

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

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

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2017		780,750	1,266,020	-	2,046,770
Comprehensive income for the year					
Profit for the year		-	358,062	-	358,062
Other comprehensive income for the year		-	-	429,471	429,471
		-	**358,062**	**429,471**	**787,533**
Transactions with owners in their capacity as owners					
Dividends paid or provided	16	-	(117,113)	-	(117,113)
Balance at 30 June 2018		**780,750**	**1,506,969**	**429,471**	**2,717,190**
Balance at 1 July 2016		780,750	974,064	-	1,754,814
Comprehensive income for the year					
Profit for the year		-	409,069	-	409,069
		-	**409,069**	**-**	**409,069**
Transactions with owners in their capacity as owners					
Dividends paid or provided	16	-	(117,113)	-	(117,113)
Balance at 30 June 2017		**780,750**	**1,266,020**	**-**	**2,046,770**

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

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		2,532,038	2,293,709
Payments to suppliers and employees		(2,044,720)	(1,673,042)
Dividends received		28,479	-
Interest received		3,293	4,416
Income tax paid		(185,997)	(132,510)
Net cash flows provided by operating activities	**18b**	**333,093**	**492,573**
Cash flows from investing activities			
Proceeds from sale of investments		2,079	-
Purchase of property, plant and equipment		(3,520)	-
Purchase of investments		(1,493)	(600,000)
Net cash flows used in investing activities		**(2,934)**	**(600,000)**
Cash flows from financing activities			
Dividends paid		(117,113)	(117,113)
Net cash flows used in financing activities		**(117,113)**	**(117,113)**
Net increase/(decrease) in cash held		**213,046**	**(224,540)**
Cash and cash equivalents at beginning of financial year		638,461	863,001
Cash and cash equivalents at end of financial year	**18a**	**851,507**	**638,461**

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

Notes to the financial statements

For year ended 30 June 2018

These financial statements and notes represent those of Knox Community Financial Services Limited.

Knox Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 28 September 2018.

Note 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.

<u>Economic dependency</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Ferntree Gully and Rowville.

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.

Note 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:

<u>Estimation of useful lives of assets</u>

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.

<u>Fair value assessment of non-current physical assets</u>

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.

<u>Employee benefits provision</u>

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.

Note 1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Income tax

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

Impairment

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

(f) New and revised standards that are effective for these financial statements

There are no new and amended accounting policies that have been adopted by the company this financial year.

(g) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set out on the proceeding pages.

(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.

Note 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) (continued)

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

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

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

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

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

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

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

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

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

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

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

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

Note 1. Summary of significant accounting policies (continued)

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

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

AASB 16:

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

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

Note 2. Revenue

	2018 $	**2017 $**
Revenue		
- service commissions	2,286,931	2,279,010
	2,286,931	**2,279,010**
Other revenue		
- interest received	3,293	4,416
- dividends received	40,741	-
- other revenue	16,036	14,700
	60,070	**19,116**
Total revenue	**2,347,001**	**2,298,126**

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

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

Rendering of services

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

Interest, dividend and other income

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

Dividend and other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Note 3. Expenses

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	1,011,446	993,716
- superannuation costs	108,821	107,264
- other costs	104,625	108,044
	1,224,892	**1,209,024**
Depreciation and amortisation		
Depreciation		
- buildings	6,640	16,305
- leasehold improvements	8,666	9,130
- plant and equipment	4,583	3,249
	19,889	**28,684**
Amortisation		
- franchise fees	23,743	23,743
Total depreciation and amortisation	**43,632**	**52,427**
Bad and doubtful debts expenses	1,011	439
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,590	4,900

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.

Borrowing costs

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

Depreciation

The depreciable amount of all fixed assets, including buildings, but excluding freehold land, 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.

Note 3. Expenses (continued)

Depreciation (continued)

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

Class of asset	Rate	Method
Buildings	2.5%	Straight line
Building improvements	2.5%	Diminishing value
Plant and equipment	3.8% - 66.7%	Diminishing value

Note 4. Income tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	118,876	151,110
Deferred tax expense	18,477	13,417
Under / (over) provision of prior years	-	(6,186)
	137,353	**158,341**
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:		
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	136,239	156,038
Add tax effect of:		
- Other adjustments	1,114	-
- Under / (over) provision of prior years	-	(6,186)
- Change in company tax rates	-	8,489
Income tax attributable to the entity	**137,353**	**158,341**
The applicable weighted average effective tax rate is:	27.72%	27.91%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	80,398	23,091
Income tax paid	(185,997)	(132,510)
Current tax	118,876	151,110
Under / (over) provision prior years	-	38,707
Franking credit offset	(12,262)	-
	1,015	**80,398**

Note 4. Income tax (continued)

	2018 $	2017 $
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Employee provisions	49,352	88,452
Investments at fair value	3,055	-
	52,407	**88,452**
Deferred tax liabilities comprise:		
Property, plant & equipment	145,338	-
Net deferred tax asset / (liability)	**(92,931)**	**88,452**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	36,045	13,416
(Decrease) / increase in deferred tax liabilities	145,338	-
Deferred tax expenses recognised directly in equity	(162,906)	
Under / (over) provision prior years	-	(44,893)
	18,477	**(31,477)**

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

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

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

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

Note 5. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	851,507	638,461
	851,507	**638,461**

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

Note 6. Trade and other receivables

	2018 $	2017 $
Current		
Trade receivables	200,630	199,404
Other receivables	500	500
	201,130	**199,904**

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.

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 $	Past due and impaired $	Past due but not impaired			Not past due $
			< 30 days $	31-60 days $	> 60 days $	
2018						
Trade receivables	200,630	200,630	-	-	-	-
Other receivables	500	500	-	-	-	-
Total	**201,130**	**201,130**	**-**	**-**	**-**	**-**
2017						
Trade receivables	199,404	199,404	-	-	-	-
Other receivables	500	500	-	-	-	-
Total	**199,904**	**199,904**	**-**	**-**	**-**	**-**

Note 7. Financial assets

	2018 $	2017 $
Available for sale financial assets		
Listed investments	588,295	600,000
	588,295	**600,000**

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables, 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.

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 entity 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables 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

Note 7. Financial assets (continued)

(c) Impairment of financial assets

The entity 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.

Note 8. Property, plant and equipment

	2018 $			2017 $		
	At cost / fair value	Accumulated depreciation	Written down value	At cost / fair value	Accumulated depreciation	Written down value
Land & buildings - at fair value	1,100,000	(6,640)	1,093,360	652,200	(171,877)	480,323
Building improvements - at cost	349,954	(32,160)	317,794	365,224	(26,103)	339,121
Plant and equipment - at cost	219,973	(199,989)	19,984	219,972	(195,405)	24,567
Total property, plant and equipment	**1,669,927**	**(238,789)**	**1,431,138**	**1,237,396**	**(393,385)**	**844,011**

Land and buildings

Freehold land and buildings are carried at their fair value (refer note 1 (e)), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Land and buildings were revalued on 1 July 2017 by an independent valuer, Killen and Thomas (Aust) Pty Ltd.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

(a) Capital expenditure commitments

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

Note 8. Property, plant and equipment (continued)

(b) Movements in carrying amounts of PP&E

2018	Opening written down value	Additions	Revaluations	Transfers	Depreciation	Closing written down value
Land & buildings	480,323	-	603,496	16,181	(6,640)	1,093,360
Building improvements	339,121	3,520	-	(16,181)	(8,666)	317,794
Plant and equipment	24,567	-	-	-	(4,583)	19,984
Total property, plant and equipment	**844,011**	**3,520**	**603,496**	**-**	**(19,889)**	**1,431,138**

2017	Opening written down value	Additions	Revaluations	Transfers	Depreciation	Closing written down value
Buildings	496,628	-	-	-	(16,305)	480,323
Building improvements	348,251	-	-	-	(9,130)	339,121
Plant and equipment	27,816	-	-	-	(3,249)	24,567
Total property, plant and equipment	**872,695**	**-**	**-**	**-**	**(28,684)**	**844,011**

Note 9. Intangible assets

	2018 $			2017 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	118,713	(76,011)	42,702	118,713	(52,268)	66,445
Total intangible assets	**118,713**	**(76,011)**	**42,702**	**118,713**	**(52,268)**	**66,445**

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

Movements in carrying amounts

	2018 $			2017 $		
	Opening written down value	Amortisation	Closing written down value	Opening written down value	Amortisation	Closing written down value
Franchise fees	66,445	(23,743)	42,702	90,188	(23,743)	66,445
Total intangible assets	**66,445**	**(23,743)**	**42,702**	**90,188**	**(23,743)**	**66,445**

Note 10. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Note 11. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Creditors and accruals	124,175	105,848
	124,175	**105,848**

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

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

Note 12. Provisions

	2018 $	2017 $
Current		
Employee benefits	154,971	179,499
Non-current		
Employee benefits	24,490	24,758
Total provisions	**179,461**	**204,257**

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.

Note 12. Provisions (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Note 13. Share capital

	2018 $	**2017 $**
780,750 Ordinary shares fully paid	780,750	780,750
	780,750	**780,750**

Ordinary shares are classified as equity.

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	780,750	780,750
Shares issued during the year	-	-
At the end of the reporting period	**780,750**	**780,750**

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.

Note 13. Share capital (continued)

(b) Capital management (continued)

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.

Note 14. Retained earnings

	2018 $	2017 $
Balance at the beginning of the reporting period	1,266,020	974,064
Profit for the year after income tax	358,062	409,069
Dividends paid	(117,113)	(117,113)
Balance at the end of the reporting period	**1,506,969**	**1,266,020**

Note 15. Reserves

	2018 $	2017 $
Asset revaluation reserve		
Balance at the beginning of the reporting period	-	-
Fair value movements during the period	437,535	-
Balance at the end of the reporting period	**437,535**	**-**
Available for sale reserve		
Balance at the beginning of the reporting period	-	-
Fair value movements during the period	(8,064)	-
Balance at the end of the reporting period	**(8,064)**	**-**
Total Reserves	**429,471**	**-**

The asset revaluation reserve represents undistributable gains recognised on the revaluation of land and buildings. The available for sale reserve represents undistributable gains recognised on the revaluation of financial assets classified as available for sale.

Note 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 15 cents per share (2017: 15 cents) franked at the tax rate of 27.5% (2017: 27.5%).	117,113	117,113

Note 17. Earnings per share

	2018 $	2017 $
Basic earnings per share (cents)	45.86	52.39
Earnings used in calculating basic earnings per share	358,062	409,069
Weighted average number of ordinary shares used in calculating basic earnings per share.	780,750	780,750

Basic earnings per share

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

Note 18. Statement of cash flows

	2018 $	2017 $
(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:		
Cash and cash equivalents (Note 5)	851,507	638,461
As per the Statement of Cash Flow	**851,507**	**638,461**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	358,062	409,069
Non-cash flows in profit		
- Depreciation and amortisation	43,632	52,427
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(1,226)	(6,351)
- (Increase) / decrease in deferred tax asset	18,477	(31,477)
- Increase / (decrease) in trade and other payables	18,327	(2,739)
- Increase / (decrease) in current tax liability	(79,383)	57,307
- Increase / (decrease) in provisions	(24,796)	14,337
Net cash flows from operating activities	**333,093**	**492,573**

(c) Credit standby arrangement and loan facilities

Note 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 entity, directly or indirectly including any Director (whether executive or otherwise) of that company.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2018 $	2017 $
Short-term employee benefits	40,546	46,583
Total key management personnel compensation	40,546	46,583

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

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

Name of related party	Description of goods/services	Value $
C&A Accounting & Consulting Services - related party of Cathy Doulgeris	Accounting services	13,598

The Knox Community Financial Services Limited have not accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package.

(d) Key management personnel shareholdings

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

	2018	2017
John Surridge	1,000	1,000
Anthony Holland	500	500
Desmond Higginbotham	1,000	1,000
Jeffrey Somers (resigned November 2017)	-	1,000
Darren Pearce (resigned November 2017)	-	5,500
	2,500	**9,000**

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

(d) Key management personnel shareholdings (continued)

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.

Note 20. Events after the reporting period

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

Note 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two areas being Ferntree Gully and Rowville, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 98% of the revenue (2017: 100%).

Note 23. Commitments

Operating lease commitments

	2018 $	**2017 $**
Payable:		
- no later than 12 months	67,579	66,254
- between 12 months and five years	284,106	278,535
- greater than five years	124,900	147,313
minimum lease payments	**476,585**	**492,102**

The property lease is a non-cancellable lease with a ten year term, with rent payable monthly in advance and 4% increases each year.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred. Non-cancellable operating leases contracted for are not capitalised in the Statement of Financial Position.

Note 24. Company details

The registered office and principal place of business is 65-67 Station Street, Ferntree Gully VIC 3156.

Note 25. Financial instrument risk

Financial risk management policies

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

Specific financial risk exposure and management

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

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, 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	851,507	638,461
Trade and other receivables	6	201,130	199,904
Financial assets	7	588,295	600,000
Total financial assets		**1,640,932**	**1,438,365**
Financial liabilities			
Trade and other payables	11	124,175	105,848
Total financial liabilities		**124,175**	**105,848**

(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.

Note 25. Financial instrument risk (continued)

(a) Credit risk (continued)

Credit risk exposures

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

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

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

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

(b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0.39%	851,507	851,507	-	-
Trade and other receivables		201,130	201,130	-	-
Financial assets		588,295	588,295	-	-
Total anticipated inflows		**1,640,932**	**1,640,932**	**-**	**-**
Financial liabilities					
Trade and other payables		124,175	124,175	-	-
Total expected outflows		**124,175**	**124,175**	**-**	**-**
Net inflow / (outflow) on financial instruments		**1,516,757**	**1,516,757**	**-**	**-**

Note 25. 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	0.98%	638,461	638,461	-	-
Trade and other receivables		199,904	199,904	-	-
Financial assets		600,000	600,000	-	-
Total anticipated inflows		**1,438,365**	**1,438,365**	**-**	**-**
Financial liabilities					
Trade and other payables		105,848	105,848	-	-
Total expected outflows		**105,848**	**105,848**	**-**	**-**
Net inflow / (outflow) on financial instruments		**1,332,517**	**1,332,517**	**-**	**-**

(c) Market risk

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

Exposure to interest rate risk arises on financial assets recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows of fixed rate financial instruments. the company also has exposure to price risk through its listed investments carried at fair value. 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 and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

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

	2018		2017	
	Profit $	Equity $	Profit $	Equity $
+/- 1% in interest rates (interest income)	8,515	8,515	6,385	6,385
+/- 1% in share prices	5,883	5,883	6,000	6,000
	14,398	**14,398**	**12,385**	**12,385**

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

Note 26. Fair value measurements

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- freehold land and buildings
- listed investments

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: Fair value measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Note 26. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	30 June 2018			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements				
Non-financial assets				
Land & buildings	-	1,100,000	-	1,100,000
Financial assets				
Listed investments	588,295	-	-	588,295
Total assets recognised at fair value on a recurring basis	**588,295**	**1,100,000**	**-**	**1,688,295**

	30 June 2017			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Listed investments	600,000	-	-	600,000
Total assets recognised at fair value on a recurring basis	**600,000**	**-**	**-**	**600,000**

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2017: no transfers).

(b) Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Note 26. Fair value measurements (continued)

(b) Valuation techniques (continued)

Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2018	Description of valuation techniques	Inputs used
Land & buildings	1,100,000	The fair values of the land and buildings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties.	Rental yields between $200 and $500 per week. Capitalisation rate of 5%.

The fair value of land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

Directors' declaration

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

1. The financial statements and notes, as set out on pages 11 to 39 are in accordance with the *Corporations Act 2001* and:

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

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

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

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

John Surridge
Director

Signed at Ferntree Gully on 28 September 2018.

Independent audit report

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

AUDITOR'S REPORT
TO THE MEMBERS OF KNOX COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion:

(a) the financial report of Knox Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year then ended; and

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

(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.

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 rsd Audit

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

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 28 September 2018

Fern Tree Gully **Community Bank**® Branch
67 Station Street, Fern Tree Gully VIC 3156
Phone: (03) 9756 0332 Fax: (03) 9756 0301
www.bendigobank.com.au/ferntree-gully

Rowville **Community Bank**® Branch
Shop G7, 1090 Wellington Road, Rowville VIC 3178
Phone: (03) 9755 8611 Fax: (03) 9755 8622
www.bendigobank.com.au/rowville

Caribbean Park Business Centre (cashless) branch
Retail 1, 44 Lakeview Drive, Scoresby VIC 3179
Phone: (03) 9753 2816

Franchisee: Knox Community Financial Services Limited
67 Station Street, Fern Tree Gully VIC 3156
ABN: 88 093 823 708
www.kcbg.com.au

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