

Annual Report 2018

Maffra & District Community
Financial Services Limited

ABN 14 600 481 178

Maffra & District **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2018

On behalf of Maffra & District Community Financial Services Limited, I am pleased to present our fourth Annual Report, albeit year (2015) one only being one month in total since inception of the branch.

Despite a continued difficult financial environment and the banks Royal Commission this year's results have been particularly pleasing continuing to remain well in front of budget projections.

As interest rates remain at historically low levels our profitability driven by margin, the difference between the cost of funds and interest rate revenue received provide our **Community Bank**[®] branch with continuing challenges.

Bearing this in mind it is a credit to the hard work of our Manager Renee and her team which has seen the branch achieve all its goals bar one and places us the number one **Community Bank**[®] branch and company branch for growth in our region.

We have had to make some difficult decisions this year with relation to the Agency at Stratford. Although the Agency has been in existence for a number of years it has not during its time of operation managed to cover its operating costs and has in fact made considerable losses. Following discussions with the owner of the business, the Board of Maffra & District Financial Services Limited and Bendigo and Adelaide Bank Limited, it was evident that closure of the Agency was inevitable.

This decision has not been taken lightly and follows more than twelve months deliberation. I realise that this is not a popular decision, but it has been taken in the best interests of shareholders and the overall welfare of the branch and its agent.

In summing up our year's work I am pleased to report the following:

- Well in front of our projected budget
- \$28,000 paid to the community (see table)
- A further \$5,500 raised for Stretton Park
- \$9,000 already committed to the community for this year
- Establishment of educational hub at Maffra & District **Community Bank**[®] Branch
- Establishment of a Maffra Secondary Annual Scholarship
- Another successful year working with our major partner in banking, the Bendigo and Adelaide Bank Limited especially their regional representatives that assist us daily.

At the commencement of 2018 Neil Armistead the inaugural Chairman indicated his intention to resign from the Board due to business commitments. Neil was instrumental in the successful establishment of the Maffra & District **Community Bank**[®] Branch and I thank him for his huge contribution.

Renee Vidler our Manager has moulded an excellent team within the branch that constantly strive for the pursuit of excellence in client service and company growth. They are the face of our branch and are doing an excellent job.

Sponsorship recipient list for 2017/18

Maffra Vehicle Collection

Maffra Junior Football Club

Newry Hall

Maffra Secondary College

Maffra Football Club

Bushy Park Tractor Pull

Maffra Tourism and Business Association

Maffra Rotary Club

Maffra Basketball Association

AFL Gippsland

Maffra Golf Club

Maffra Lions Club

St Mary's Primary School

Maffra Agricultural Society

Newry Golf Club

Maffra Primary School

Maffra Municipal Band

Stratford Football and Netball Club

Stratford Bowls Club

Southern Rural Water

Chairman's report (continued)

I am also thankful for the efforts and support of your Board that I have received since taking over the position of Chairman from Neil. They perform their duties with care and diligence, all have completed further Director training during the year in their own time. As shareholders you can be assured that your interests are considered in all their deliberations.

The budgets set by the Board continue to be realistic and achievable and the Board and branch team are committed to achieving our goals and paying our first dividend, good governance, economic circumstances and good business growth allowing.



Rob Christie
Chairman

Manager's report

For year ending 30 June 2018

It's been an exciting year for the Maffra & District **Community Bank**[®] Branch and it's my pleasure to present the 2017/18 Manager's report to you all.

The Maffra & District **Community Bank**[®] Branch has seen some exciting growth this financial year, far exceeding forecasted expectations. With our budget originally forecasting a loss of approximately \$35,000, the year ended well for the branch showing a profit of around \$14,000 and a significant growth in the key income areas. This comprised of an unanticipated Lending Growth which exceeded budget by \$2.4 million, Footings Growth exceeding budget by \$2.2 million and Other Business Growth exceeding anticipated return by \$1.3 million.

Further exciting opportunities presented in 2017/18 to partner with some great local clubs and organisations and further establish our footprint within the community. In total, the Maffra & District **Community Bank**[®] Branch are proud to have contributed more than \$50,000 to numerous organisations via donations, sponsorship and fundraising. We were well represented at all local community events and welcomed warmly by the clubs and committees at local sporting events attended.

We signed on as naming rights sponsor of the Sale & District Junior Football Association (which includes teams from within our key catchments in Maffra, Heyfield, Stratford and Briagolong). We commenced fundraising and preparatory activities for our 2018 major fundraising event – the Winter Wonderland Ball – raising much needed funds for the Stretton Park Aged Care Facility refurbishment.

A key focus area of both the branch and Bendigo and Adelaide Bank Limited this year was attracting the younger customer. With funding awarded to us from head office whom recognised our concept as one of the top three ideas in the state, we remodelled the front office space to incorporate a Student Banking Hub. This was specifically designed to attract school and kinder groups with fun, interactive activities in a friendly and welcoming environment to assist in developing an interest in money and banking in a younger clientele. We had our first kinder group through recently, which was a huge success.

The success we have experienced both financially and within the community in the past twelve months would not be possible without the support of our customers and the Maffra and district community members and I'd like to thank you all for contributing in your own way to our success.

Staffing at the branch this year has remained reasonably stable with the addition of one more team member in August 2017, Melissa Grant who came on board as a Customer Relationship Officer, and we had Ingrid Komen leave to take up a full-time position at Heyfield & District **Community Bank**[®] Branch in November. As always, the contributions of the branch team members are crucial to the success of the branch and I would like to thank each one of them for their contributions, support and input in 2017/18.

We said goodbye to our Board Chair this year, Neil Armistead, whose contributions to both the branch and Board were invaluable. I'd like to thank Neil for his support throughout the 2017/18 financial year and wish him well with his new endeavours. We also welcomed Rob Christie as the new Board Chair and look forward to your leadership and support moving forward. Thank you also, on behalf of the branch, to the current Board of Directors for their dedication, support and commitment to such a wonderful organisation.



Renee Vidler
Branch Manager

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 Maffra & District Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Robert William Christie

Position	Chairperson
Professional qualifications	Bachelor of Arts, Diploma of Education
Experience and expertise	Former Primary School Principal. Involved in Briagolong Lions Club, 5 Star Project Sale, Briagolong Tourism Association, Wellington Regional Tourism and Briagolong - Halls Creek Indigenous Trust.

Ryan James Crawford

Position	Secretary
Professional qualifications	Lawyer- LL.B (Hons) B.Com. GDLP - Member of the Law Institute of Victoria
Experience and expertise	Ryan's qualifications and experience include Practising Australian Legal Practitioner since January 2012 at a local law firm in Maffra. Involved with/member of Maffra Bowls Club, Maffra Hockey Club, Maffra Squash and Racquetball Club, Gippsland Vehicle Collection, Maffra Dramatic Society and Maffra Community Sports Club.

Kylie Maree Hadden

Position	Deputy Chair
Professional qualifications	Advanced Diploma Hospitality Studies
Experience and expertise	Owner operator of a local Jewellers (2000- present). Maffra Playgroup (secretary) three years. Glassford Kindergarten (President). Maffra Primary School P&F (treasurer) six years and Maffra Primary School Mardi Gras Committee (treasurer). Associated with Maffra Basketball, Maffra Angling Club and Maffra Secondary College.

Tomas Justin Pritchett

Position	Treasurer
Professional qualifications	Diploma of Accounting, Member of The Tax Institute
Experience and expertise	Accountant with local Accounting firm, 15 years' experience in a public accounting practice. Treasurer Stradroke Cricket Club for last seven years.

Neil Joseph Gannon

Position	Director
Professional qualifications	AICD & Qualified as diesel mechanic.
Experience and expertise	Owner Manager of irrigation dairy farm. Past Board member of Gippsland and Southern Rural Water Corporation and Gippsland Herd Improvement. Current East Gippsland representative of Victorian Farmers Federation Water Resources Committee and Secretary of Tinamba Public Hall Inc.

Directors' report (continued)

Directors (continued)

Helen Ann Montague

Position	Director
Professional qualifications	Registered Division 1 Nurse, Community Emergency Facilitator, Advanced Diploma of Public Safety-Emergency Management
Experience and expertise	Vice Chair Stretton Park Board of Management, Secretary of Wellington Shire Heritage Network(WSHN), Secretary Boisdale & District Progress Association, Boisdale & District History Group and Secretary of Boisdale Stables Sub Committee. Committee Member of Boisdale Public Hall, Valencia Soldier's Memorial Hall and Boisdale-Briagolong Red Cross. Member of Maffra State Emergency Service and Warden of St George's Church Boisdale, for Anglican Parish of Maffra.

Peter Young

(Appointed 26 March 2018)

Position	Director
Professional qualifications	Diploma of Agriculture and Diploma of Valuation and Farm Management
Experience and expertise	Past President Briagolong and District Lions Club, Briagolong Junior Football Club, Gippsland Sheep Breeders Assoc., and life member of Gippsland Sheep Breeders Assoc. and the Briagolong CFA.

Neil Raymond Armistead

(Resigned 7 February 2018)

Position	Director
Professional qualifications	CFP, Dip FP, FChFP (AFA) community.
Experience and expertise	Certified Financial Planner, Stockbroker, CFP, Dip FP, FChFP (AFA) with 21 years experience and 30 years in local business community. Ex-Committee member Maffra Community Sports Club. Ex-committee member Maffra Football Netball Club.

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:

Director	Board meetings	
	A	B
Robert William Christie	13	12
Ryan James Crawford	13	9
Kylie Maree Hadden	13	12
Tomas Justin Pritchett	13	12
Neil Joseph Gannon	13	11
Helen Ann Montague	13	11
Peter Young	5	5
Neil Raymond Armistead	7	5

A - The number of meetings eligible to attend.

B - The number of meetings attended.

Directors' report (continued)

Company Secretary

Ryan Crawford has been the Company Secretary of Maffra & District Financial Services Limited since December 2016.

Ryan's qualifications and experience include Practising Australian Legal Practitioner since January 2012 at a local law firm in Maffra. Lawyer - LL.B (Hons) B.Com. GDLP - Member of the Law Institute of Victoria. Involved with/member of Maffra Bowls Club, Maffra Hockey Club, Maffra Squash and Racquetball Club, Gippsland Vehicle Collection and Maffra Community Sports Club.

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 loss of the company for the financial year after provision for income tax was \$(26,075) (2017 loss: \$48,436), which is a 46.2% decrease as compared with the previous year.

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current year.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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

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 9 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 Maffra on 2 October 2018.



Robert Christie
Director

Auditor's independence declaration



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3552

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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Maffra & District 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

A handwritten signature in black ink, appearing to read 'KAT', is positioned below the 'RSD Audit' text.

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 3 October 2018

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
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	532,687	514,390
Expenses			
Employee benefits expense	3	(306,914)	(319,459)
Depreciation and amortisation	3	(38,122)	(38,208)
Administration and general costs		(78,305)	(85,665)
Occupancy expenses		(37,071)	(37,922)
IT expenses		(27,414)	(21,460)
Agent Commission		(46,410)	(47,660)
		(534,236)	(550,374)
Operating loss before charitable donations & sponsorship		(1,549)	(35,984)
Charitable donations and sponsorships		(28,286)	(22,223)
Loss before income tax		(29,835)	(58,207)
Income tax benefit	4	3,760	9,771
Loss for the year after income tax		(26,075)	(48,436)
Other comprehensive income		-	-
Total comprehensive income for the year		(26,075)	(48,436)
Loss attributable to members of the company		(26,075)	(48,436)
Total comprehensive income attributable to members of the company		(26,075)	(48,436)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	16	(2.97)	(5.52)

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

Financial statements (continued)

Statement of Financial Position as at 30 June 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	5	121,056	135,136
Trade and other receivables	6	50,416	51,442
Financial assets	7	58,402	40,404
Other assets	8	11,263	13,445
Total current assets		241,137	240,427
Non-current assets			
Property, plant and equipment	9	186,837	201,533
Intangible assets	10	190,786	212,786
Deferred tax assets	4	64,784	61,021
Total non-current assets		442,407	475,340
Total assets		683,544	715,767
Liabilities			
Current liabilities			
Trade and other payables	12	43,071	51,096
Provisions	13	6,887	5,724
Total current liabilities		49,958	56,820
Non-current liabilities			
Provisions	13	1,214	503
Deferred tax liability	4	190	187
Total non-current liabilities		1,404	690
Total liabilities		51,362	57,510
Net assets		632,182	658,257
Equity			
Issued capital	14	848,030	848,030
Accumulated losses	15	(215,848)	(189,773)
Total equity		632,182	658,257

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

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	848,030	(189,773)	658,257
Comprehensive income for the year			
Loss for the year	-	(26,075)	(26,075)
Balance at 30 June 2018	848,030	(215,848)	632,182
Balance at 1 July 2016	850,009	(141,337)	708,672
Comprehensive income for the year			
Loss for the year	-	(48,436)	(48,436)
Transactions with owners in their capacity as owners			
Cost of issuing shares	(1,979)	-	(1,979)
Balance at 30 June 2017	848,030	(189,773)	658,257

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

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		583,870	531,064
Payments to suppliers and employees		(581,428)	(569,801)
Interest received		2,902	3,805
Net cash flows from/(used in) operating activities	17b	5,344	(34,932)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,426)	-
Purchase of investments		(17,998)	(40,404)
Net cash flows used in investing activities		(19,424)	(40,404)
Cash flows from financing activities			
Payment of share issue costs		-	(1,979)
Net cash flows from/(used in) financing activities		-	(1,979)
Net decrease in cash held		(14,080)	(77,315)
Cash and cash equivalents at beginning of financial year		135,136	212,451
Cash and cash equivalents at end of financial year	17a	121,056	135,136

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 Maffra & District Community Financial Services Limited.

Maffra & District 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 2 October 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, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Maffra.

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Notes to the financial statements (continued)

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:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Notes to the financial statements (continued)

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

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

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

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

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

(g) New accounting standards for application in future periods

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

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

(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.

Notes to the financial statements (continued)

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)
- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
 - the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

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

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

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

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

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

- (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.

Notes to the financial statements (continued)

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	527,497	496,280
	527,497	496,280
Other revenue		
- interest received	2,902	3,805
- other revenue	2,288	14,305
	5,190	18,110
Total revenue	532,687	514,390

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 and other income

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

Other revenue is recognised when the right to the income has been established.

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

Notes to the financial statements (continued)

Note 3. Expenses

	2018 \$	2017 \$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	264,541	281,772
- superannuation costs	24,525	23,831
- other costs	17,848	13,856
	306,914	319,459
Depreciation and amortisation		
Depreciation		
- leasehold improvements	12,561	12,561
- plant and equipment	3,561	3,647
	16,122	16,208
Amortisation		
- franchise fees	2,000	2,000
- establishment costs	20,000	20,000
	22,000	22,000
Total depreciation and amortisation	38,122	38,208
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,040	4,750
	5,040	4,750

Operating expenses

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

Depreciation

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

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

Class of asset	Rate	Method
Leasehold improvements	2.5 - 40%	Straight Line
Plant and equipment	2.5 - 15%	Straight Line

Notes to the financial statements (continued)

Note 4. Income tax

	2018 \$	2017 \$
a. The components of tax expense comprise:		
Deferred tax expense	(3,760)	(9,771)
	(3,760)	(9,771)
b. Prima facie tax payable		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on loss before income tax at 27.5% (2017: 27.5%)	(8,205)	(16,007)
Add tax effect of:		
- Other deductible expenses	(1,605)	(1,605)
- Timing differences	-	1,791
- Non-deductible expenses	6,050	6,050
Income tax attributable to the entity	(3,760)	(9,771)
The applicable weighted average effective tax rate is:	12.60%	16.79%
c. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	2,350	2,105
Employee provisions	2,228	3,044
Unused tax losses	60,206	55,872
	64,784	61,021
Deferred tax liabilities comprise:		
Accrued income	190	187
	190	187
Net deferred tax asset	64,594	60,834
d. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(3,762)	(9,757)
(Decrease) / increase in deferred tax liabilities	2	(14)
	(3,760)	(9,771)

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/assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

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

Notes to the financial statements (continued)

Note 4. Income tax (continued)

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	50,010	30,980
Short-term bank deposits	71,046	104,156
	121,056	135,136

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

The effective interest rate on the short-term bank deposit was 2.00% (2017: 2.05%); this deposit has a maturity of 90 days.

Note 6. Trade and other receivables

	2018 \$	2017 \$
Current		
Trade receivables	50,416	51,442
	50,416	51,442

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

Notes to the financial statements (continued)

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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

	Gross amount \$	Not past due \$	Past due but not impaired			Past due and impaired \$
			< 30 days \$	31-60 days \$	> 60 days \$	
2018						
Trade receivables	50,416	50,416	-	-	-	-
Total	50,416	50,416	-	-	-	-
2017						
Trade receivables	51,442	51,442	-	-	-	-
Total	51,442	51,442	-	-	-	-

Note 7. Financial assets

	2018 \$	2017 \$
Held to maturity financial assets		
Term deposits	58,402	40,404
	58,402	40,404

The effective interest rate on the bank deposit was 2.1% (2017: 2.2%). This deposit has a term of 6 months, maturing on 10 August 2018.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- loans and receivables, and
- held to maturity investments

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.

Notes to the financial statements (continued)

Note 7. Financial assets (continued)

(a) Classification of financial assets (continued)

Held to maturity investments

The entity classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the entity intends to, and is able to, hold them to maturity.

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

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

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

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

(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.

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.

Notes to the financial statements (continued)

Note 7. Financial assets (continued)

(c) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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.

(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.

Note 8. Other assets

	2018 \$	2017 \$
Prepayments	10,574	12,765
Other	689	680
	11,263	13,445

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

Note 9. Property, plant and equipment

	2018 \$			2017 \$		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Leasehold improvements	199,442	(38,886)	160,556	199,442	(26,325)	173,117
Plant and equipment	36,905	(10,623)	26,281	35,478	(7,062)	28,416
Total property, plant and equipment	236,347	(49,509)	186,837	234,920	(33,387)	201,533

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.

Notes to the financial statements (continued)

Note 9. Property, plant and equipment (continued)

Plant and equipment (continued)

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)

(b) Movements in carrying amounts of PP&E

2018	\$			
	Opening written down value	Additions	Depreciation	Closing written down value
Leasehold improvements	173,117	-	(12,561)	160,556
Plant and equipment	28,416	1,426	(3,561)	26,281
Total property, plant and equipment	201,533	1,426	(16,122)	186,837

2017	\$			
	Opening written down value	Additions	Depreciation	Closing written down value
Leasehold improvements	185,678	-	(12,561)	173,117
Plant and equipment	32,063	-	(3,647)	28,416
Total property, plant and equipment	217,741	-	(16,208)	201,533

Note 10. Intangible assets

	2018 \$			2017 \$		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	10,000	(6,191)	3,809	10,000	(4,191)	5,809
Preliminary expenses	100,000	(61,918)	38,082	100,000	(41,918)	58,082
Goodwill on purchase of agency	148,895	-	148,895	148,895	-	148,895
Total intangible assets	258,895	(68,109)	190,786	258,895	(46,109)	212,786

Notes to the financial statements (continued)

Note 10. Intangible assets (continued)

Franchise fees and preliminary costs 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.

Goodwill relates to the amount paid for the purchase of business from an unrelated agency. Goodwill is tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows, and determines a suitable interest rate in order to calculate the present value of those cash flows.

Movements in carrying amounts

	\$		
	Opening written down value	Amortisation	Closing written down value
2018			
Franchise fees	5,809	(2,000)	3,809
Preliminary expenses	58,082	(20,000)	38,082
Goodwill on purchase of agency	148,895	-	148,895
Total intangible assets	212,786	(22,000)	190,786

	\$		
	Opening written down value	Amortisation	Closing written down value
2017			
Franchise fees	7,809	(2,000)	5,809
Preliminary expenses	78,082	(20,000)	58,082
Goodwill on purchase of agency	148,895	-	148,895
Total intangible assets	234,786	(22,000)	212,786

Note 11. Financial liabilities

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

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

Notes to the financial statements (continued)

Note 12. Trade and other payables

	2018 \$	2017 \$
Current		
Unsecured liabilities:		
Trade creditors	26,638	21,536
Other creditors and accruals	16,433	29,560
	43,071	51,096

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 13. Provisions

	2018 \$	2017 \$
Current		
Employee benefits	6,887	5,724
Non-current		
Employee benefits	1,214	503
Total provisions	8,101	6,227

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

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

Notes to the financial statements (continued)

Note 13. Provisions (continued)

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

Note 14. Share capital

	2018 \$	2017 \$
877,210 Ordinary shares fully paid	877,210	877,210
Less: Equity raising costs	(29,180)	(29,180)
	848,030	848,030

Ordinary shares are classified as equity.

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

(a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	877,210	877,210
At the end of the reporting period	877,210	877,210

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

(b) Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

Notes to the financial statements (continued)

Note 15. Accumulated losses

	2018 \$	2017 \$
Balance at the beginning of the reporting period	(189,773)	(141,337)
Loss for the year after income tax	(26,075)	(48,436)
Balance at the end of the reporting period	(215,848)	(189,773)

Note 16. Earnings per share

	2018 \$	2017 \$
Basic earnings per share (cents)	(2.97)	(5.52)
Earnings used in calculating basic earnings per share	(26,075)	(48,436)
Weighted average number of ordinary shares used in calculating basic earnings per share.	877,210	877,210

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 17. 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)	121,056	135,136
As per the Statement of Cash Flow	121,056	135,136
(b) Reconciliation of cash flow from operations with loss after income tax		
Loss for the year after income tax	(26,075)	(48,436)
Non-cash flows in profit		
- Depreciation and amortisation	38,122	38,208
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	1,026	(14,076)
- (increase) / decrease in prepayments and other assets	2,182	1,976
- (Increase) / decrease in deferred tax asset	(3,760)	(9,771)
- Increase / (decrease) in trade and other payables	(8,025)	(2,738)
- Increase / (decrease) in provisions	1,874	(95)
Net cash flows from / (used in) operating activities	5,344	(34,932)

(c) Credit standby arrangement and loan facilities

Notes to the financial statements (continued)

Note 18. Key management personnel and related party disclosures

(a) Key management personnel

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

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

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

Name of related party	Description of goods/services	Value \$
Neil Armistead - Rockvale Investments	Premises rental	26,250

The Maffra & District Community Financial Services Limited have not accepted the Bendigo and Adelaide Bank Limited's **Community Bank**[®] Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch.

(d) Key management personnel shareholdings

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

	2018	2017
Robert William Christie	5,000	5,000
Ryan James Crawford	5,001	5,001
Kylie Maree Hadden	5,001	5,001
Tomas Justin Pritchett	3,001	3,001
Neil Joseph Gannon	2,001	2,001
Helen Ann Montague	5,000	5,000
Peter Young	-	-
Neil Raymond Armistead	5,001	5,001
	25,004	25,004

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.

Notes to the financial statements (continued)

Note 19. 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 20. Contingent liabilities and contingent assets

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

Note 21. Operating segments

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

Note 22. Commitments

Operating lease commitments

	2018 \$	2017 \$
Payable:		
- no later than 12 months	26,250	26,250
- between 12 months and five years	21,875	48,125
Minimum lease payments	48,125	74,375

The property lease is a non-cancellable lease with a five year term expiring on the 18 May 2020 and has the option to continue for two further terms of five years, with rent payable monthly in advance.

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

Lease payments for operating leases, where substantially all the rights and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Note 23. Company details

The registered office and principal place of business is 146 Johnson Street, Maffra Victoria 3860.

Note 24. 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.

Notes to the financial statements (continued)

Note 24. Financial instrument risk (continued)

Specific financial risk exposure and management (continued)

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	121,056	135,136
Trade and other receivables	6	50,416	51,442
Financial assets	7	58,402	40,404
Total financial assets		229,874	226,982
Financial liabilities			
Trade and other payables	12	43,071	51,096
Total financial liabilities		43,071	51,096

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

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

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

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.

Notes to the financial statements (continued)

Note 24. Financial instrument risk (continued)

(b) Liquidity risk (continued)

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:

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2018					
Financial assets					
Cash and cash equivalents	1.18%	121,056	121,056	-	-
Trade and other receivables		50,416	50,416	-	-
Financial assets	2.10%	58,402	58,402	-	-
Total anticipated inflows		229,874	229,874	-	-
Financial liabilities					
Trade and other payables		43,071	43,071	-	-
Total expected outflows		43,071	43,071	-	-
Net inflow / (outflow) on financial instruments		186,803	186,803	-	-

	Weighted average interest rate %	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2017					
Financial assets					
Cash and cash equivalents	1.59%	135,136	135,136	-	-
Trade and other receivables		51,442	51,442	-	-
Financial assets	2.25%	40,404	40,404	-	-
Total anticipated inflows		226,982	226,982	-	-
Financial liabilities					
Trade and other payables		51,096	51,096	-	-
Total expected outflows		51,096	51,096	-	-
Net inflow / (outflow) on financial instruments		175,886	175,886	-	-

Notes to the financial statements (continued)

Note 24. Financial instrument risk (continued)

(c) Market risk

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

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

The financial instruments that primarily expose the company to interest rate risk are 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)	1,795	1,795	1,755	1,755
	1,795	1,795	1,755	1,755

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

Directors' declaration

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

1. The financial statements and notes, as set out on pages 10 to 34 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.



Robert William Christie
Director

Signed at Maffra on 2 October 2018.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAFFRA & DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In our opinion:

- (a) the financial report of Maffra & District Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (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.



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Independent audit report (continued)



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.

Independent audit report (continued)



Other Information

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

RSD Audit

Chartered Accountants

A handwritten signature in black ink, appearing to be 'Katie' or similar, written over a faint, illegible stamp.

Kathie Teasdale

Partner

Bendigo

Dated: 3 October 2018

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