

Annual Report 2018

Oak Flats Financial
Services Ltd

ABN 62 093 057 768

Oak Flats and Shellharbour **Community Bank®** branches

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Chairman's report

For year ending 30 June 2018

Company Performance

The profit after income tax increased in the 2018 financial year to \$186,071 (2017: \$184,786). It is pleasing to see that the total banking income had increased this year by over \$70,000 with expenses increasing by less than \$60,000 over the same period.

The business continued to grow during the 2017/18 financial year but there has been a slow down in this growth which is a factor of the slowdown in the property market. In the second part of the financial year we operated without a Manager after Liz Shephard left in December 2017. The staff did an exceptional job especially Mitch, Robyn, Gabby, Jess and Lynda who took up the leadership role as a team and kept the loan book growing and the operational side of the business in order.

We welcome Amanda Morris to the Managers' position and happily report that all our staff have settled in to their current roles and continue to work hard to grow the business. Amanda was appointed in May and brought with her an enormous amount of experience as a lender with Bendigo Bank. We are very happy with the progress that Amanda and all the staff are making in enhancing the customer connection in both our branches.

Business developments

Our partner Bendigo and Adelaide Bank Limited has introduced the optional adoption of new opening time of 9.30am each weekday. The staff will still be working the same hours as they currently work but a training program to enhance customer service will be carried out each morning.

Community contributions

In 2018 these contributions amounted to \$322,919 (2017 \$278,931). The **Community Bank®** branches continue to contribute to the local community service organisations, schools and social and sporting bodies. The Sponsorship and Marketing Committee continue to work hard to ensure that every dollar given in community support is helping build the business in some way. Our Marketing Manager Elise Gooda is progressing well in her role and has organised and initiated a number of campaigns that we will reap the benefit from in the coming year.

Dividends

The dividend for the year has been declared as 11 cents per share plus an extraordinary dividend of 2 cents (2017: 11 cents per share plus an extraordinary dividend of 2 cents), this dividend is calculated in reference to the Franchise agreement and the Company's Rules.

The Board

In the past 12 months we have had two long term Board members resign from the Board. I would like to thank Dale Whittaker for his service from the start of the initial Steering Committee to helping guide the success of the company for over seventeen years and Neil Greig for his service from the early days of the company and over 15 years of service.

I would like to welcome Megan Lee, Ryan Bradbury and Elise Gooda as new Board members who have settled into their respective roles and are taking an active and enthusiastic part in all the endeavours of the company.

The Board are working together and are enthusiastic about the some of the exciting opportunities that lay ahead for the company.

I would again like to thank Amanda and all the staff for their commitment and hard work over the past year. There is a real team effort being shown to help grow the business and provide the customer connection that Bendigo Bank strives for and why it is Australia's Most Trusted Bank.

Yours sincerely,



Geoff Egan
Chairman

Manager's report

For year ending 30 June 2018

Dear Shareholders,

I was delighted to join the company in May 2018 as Branch Manager for the Oak Flats and Shellharbour **Community Bank**[®] branches. I came across from within the Bendigo network and whilst I bring with me experience and enthusiasm, I continue to grow and learn along with the entire team. This ensures I can provide the best possible guidance to our team and in turn, our team can provide the best possible customer service and knowledge to our customers.

This last year has been a difficult year within the Banking Sector, with confidence being tested due to several issues raised on conduct and compliance. This has led to the tightening of lending practices, most of which we were already doing, and the Royal Commission continues to investigate this further. Our brand, Bendigo Bank, remains a strong and positive one. Not only have we continued to deliver excellence for our customers and our community, we have been named the third most trusted brand in Australia and the most trusted Bank in Australia.

This year has been a period of refocus for our branches. We have made some adjustments both behind the scenes and on the counter, so that both branches work seamlessly together. Team work, collaboration, training and an adjustment to correct tasks to roles have been a major focus for us. We now have the right people doing the right roles at the right times and you will see all of our friendly faces across both branches on a regular basis. This past year we said goodbye to Liz (BM) and Layne (CSO) and welcomed Mitch to the role of CSS, Monique as our CSO and myself to the role of BM.

After 18 years we started the process of a face lift for the Oak Flats **Community Bank**[®] Branch. Although still in its early planning stages, we anticipate this will be finished mid 2019 and will bring our branch a fresh look and feel, whilst maintaining our old-world service.

Our growth of just over \$7.2 million this year was a direct result from customer referrals and the increase of local housing estates. We have retained our customer base and have deepened our relationship to increase our market share.

This year through profits generated from the provision of banking services, our branches contributed more than \$322,000 back into local community groups. Since inception, the Oak Flats and Shellharbour **Community Bank**[®] branches have contributed almost \$2.8 million to our community by way of sponsorships and grants. What a fantastic opportunity this is for our local community! This is a milestone that we are excited to celebrate with our team, Directors, customers and of course you – our shareholders.

I would like to finish off by thanking my team for their warm welcome and adaptability. Change can be daunting however it is essential if we wish to sustain and grow not only ourselves; but our business, our customers and our community. They have endured a challenging year and have banded together as a team and it is a great privilege to be a part of it. I look forward to working with the entire Oak Flats and Shellharbour **Community Bank**[®] branches team for many years to come.



Amanda Morris
Branch Manager



Directors' report

For the financial year ended 30 June 2018

Your directors present this report on the company for the financial year ended 30 June 2018

Directors

The names of the directors in office at any time during or since the end of the year are:

Name of Director	Period as Director	Qualifications, experience & special responsibilities	
Geoffrey Michael Egan	26 May 2000	Chartered Accountant	Chairman
Michael Francis Gamble	26 May 2000	Solicitor	Resigned 23 Oct 2017
Jennifer Marie Butler	26 May 2000	Semi-Retired	
Neil Greig	7 May 2002	Business Owner	Resigned 19 Dec 2017
Dale Robert Whittaker	26 May 2000	Business Owner	Resigned 19 Dec 2017
Vanessa Mitrevska	5 December 2012	Employed in Marketing	
Andy Zakeli	15 April 2015	Photographer	
Elise Gooda	27 July 2017	Employed in Marketing	
Ryan Bradbury	27 November 2017	Accountant	Secretary
Megan Lee	2 May 2018	Manager	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

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

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was \$186,071 (2017: \$184,786).

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Directors' report (continued)

Dividends	Year ended 30 June 2018	
	Cents per share	\$
Final dividends recommended:	13	59,684
Ordinary Dividend of 13 cents		
Dividends paid in the year:	13	59,684
- As recommended in the prior year report		

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report.

Significant events after the balance date

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

Likely developments

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

Directors' benefits

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest other than that mentioned in Note 17 & 21.

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Directors' report (continued)

Indemnification and insurance of Directors and Officers

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

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

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

Name of director	Number attended	Other Committee
Geoffrey Michael Egan	12 of 13	6 of 6
Michael Francis Gamble (Resigned 23 October 2017)	1 of 2	2 of 3
Jennifer Marie Butler	12 of 13	5 of 7
Neil Greig	5 of 6	2 of 3
Dale Robert Whittaker	5 of 6	2 of 3
Vanessa Mitrevska	9 of 13	5 of 5
Andy Zakelj	13 of 13	2 of 2
Elise Gooda (Appointed 27 July 2017)	12 of 13	4 of 4
Ryan Bradbury (Appointed 27 Nov 2017)	9 of 9	3 of 3
Megan Lee (Appointed 2 May 2018)	4 of 5	2 of 2

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.

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

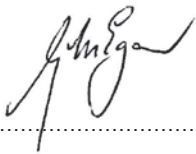
Directors' report (continued)

The directors received the following declaration from the auditor of the Company:

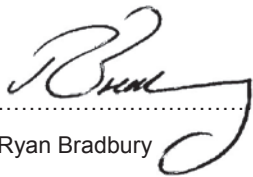
Auditors Independence Declaration

In relation to our audit of the financial report of Oak Flats Financial Services Ltd for the financial year ended 30 June 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Signed in accordance with a resolution of the Board of Directors:



Geoff Egan
Chairman



Ryan Bradbury
Secretary

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Auditor's independence declaration

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Oak Flats Finances Ltd

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 as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



O'Donnell Hennessy & Co
Wollongong NSW

Dated: 28th September 2018

Financial statements

Statement of Comprehensive Income For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	2	1,803,480	1,738,305
Gross profit		1,803,480	1,738,305
Employee benefits expense		(822,110)	(791,965)
Depreciation and amortisation		(40,493)	(51,210)
Administration and general costs		(191,696)	(222,678)
Finance costs		(9,358)	(13,310)
Bad and doubtful debts expense		(790)	(602)
Occupancy expenses		(70,134)	(69,546)
Marketing		(47,619)	(17,369)
IT costs		(40,744)	(42,096)
Profit / (loss) before charitable donations & sponsorships		580,536	529,528
Charitable donations and sponsorship		-322,919	-278,931
Profit / (loss) before income tax		257,617	250,597
Income tax expense / (benefit)		-71,545	-65,811
Operating profit after tax		186,072	184,786
Retained profit at beginning of the financial year		350,582	215,928
Total available for appropriation		536,654	400,714
Dividends provided for or paid	5	59,684	50,132
Other Income			
Retained profits at the end of the financial year		476,969	350,582
Other comprehensive income:			
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year		476,969	350,582
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	23	41	40
- diluted for profit / (loss) for the year	23	41	40

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial statements (continued)

Statement of Financial Position For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Current Assets			
Cash assets	6	448,274	283,027
Receivables	7	154,719	146,472
Other financial assets	8	83,339	83,339
Other	9	5,037	5,413
Total Current Assets		691,369	518,250
Non-Current Assets			
Property, plant and equipment	10	690,276	699,867
Intangible assets	11	35,345	57,628
Other	9	0	0
Total Non-Current Assets		725,621	757,494
Total Assets		1,416,991	1,275,744
Current Liabilities			
Payables	12	87,256	27,110
Financial liabilities	13		1,541
Current tax liabilities	14	58,359	64,400
Total Current Liabilities		145,615	93,051
Non-Current Liabilities			
Financial liabilities	13	266,169	313,463
Provisions	15	77,129	67,541
Total Non-Current Liabilities		343,297	381,004
Total Liabilities		488,913	474,055
Net Assets		928,077	801,690
Equity			
Contributed equity	16	451,108	451,108
Retained profits		476,969	350,582
Total Equity		928,077	801,690

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial statements (continued)

Statement of Cash Flow For the year ended 30 June 2018

	2018		2017
	\$		\$
Cash Flow From Operating Activities			
Receipts from customers	1,787,850		1,714,221
Payments to Suppliers and employees	- 1,424,907	-	1,453,825
Interest and other costs of finance	- 9,358	-	13,310
Dividends received	7,383		7,276
Income tax paid	- 80,122	-	30,394
Net cash provided by (used in) operating activities (note 2)	280,845		223,968
Cash Flow From Investing Activities			
Payment for:			
Payments for property, plant and equipment	- 8,620	-	29,747
Net cash provided by (used in) investing activities	- 8,620		29,747
Cash Flow From Financing Activities			
Proceeds of borrowings			
Bank Overdraft			
Loan Repayments	- 47,294	-	43,342
Dividends paid	- 59,684	-	50,132
Net cash provided by (used in) financing activities	- 106,978		93,474
Net Movement in Cash	165,247		100,747
Net increase (decrease) in cash held	165,247		100,747
Cash at the beginning of the year	283,027		182,280
Cash at the end of the year (note 1)	448,274		283,027

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial statements (continued)

	2018	2017
	\$	\$
Note 1. Reconciliation Of Cash		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.		
Cash at the end of year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash At Bank - Oak Flats	87,562	0
Dividend Account	3,720	3,723
Cash At Bank - Shellharbour	50,861	24,311
Bendigo Bank expense account	1,540	385
Bendigo Eftpos Account	140	158
Bendigo Account - BO01	303,843	253,843
Cash On Hand - Oak Flats	308	308
Cash On Hand - Shellharbour	300	300
	<u>448,274</u>	<u>283,027</u>

Note 2. Reconciliation Of Net Cash Provided By/Used In Operating Activities To Net Profit

Operating profit (loss) after tax	186,071	184,786
Depreciation	18,211	28,928
Amortisation	22,282	22,282
Interest		
Increase/(decrease) in provision for income tax	- 8,577	35,417
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	5,466 -	15,446
(Increase) decrease in other debtors	- 13,714 -	1,362
(Increase) decrease in prepayments	376	223
(Increase) decrease in Bank overdraft	- 1,541	1,541
Increase (decrease) in trade creditors and accruals	47,799 -	3,118
Increase (decrease) in other creditors	12,348 -	11,588
Increase (decrease) in employee entitlements	9,588 -	7,260
Increase (decrease) in sundry provisions	2,536 -	10,435
Net cash provided by operating activities	<u>280,845</u>	<u>223,968</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Financial statements (continued)

Statement of Changes of Equity For the year ended 30 June 2018

	2018 \$	2017 \$
Share capital		
Balance at start of year	451,108	451,108
Issue of share capital	-	-
Share issue costs	-	-
Balance at end of year	<u>451,108</u>	<u>451,108</u>
Retained earnings / (accumulated losses)		
Balance at start of year	350,581	215,927
Profit/(loss) after income tax expense	186,071	184,786
Dividends paid	(59,684)	(50,132)
Balance at end of year	<u>476,968</u>	<u>350,581</u>
Total Equity	<u>928,076</u>	<u>801,689</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the financial statements

For year ended 30 June 2018

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Oak Flats Financial Services Ltd as an individual entity. Oak Flats Financial Services Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted in the preparation of the financial report.

The accounting policies have been consistently applied, unless otherwise stated

Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report

Income tax

Income tax has been brought to account using the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

a) Plant and equipment

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

The cost of fixed assets constructed within Oak Flats Financial Services Ltd includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

b) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding

Employee entitlements

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

Contributions are made by Oak Flats Financial Services Ltd to an employee superannuation fund and are charged as expenses when incurred.

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the financial statements (continued)

Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in all call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

Comparative Figures

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

Revenue

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

	2018 \$	2017 \$
Note 2: Revenue		
Operating Activities:		
Interest revenue		
Dividend revenue	7,383	7,276
Other operating revenue:		
Gross Receipts - Oak Flats	1,306,089	1,274,200
Gross Receipts - Shellharbour	454,149	456,013
Insurance Recoveries - O F	9,005	250
Insurance Recoveries - SH	1,385	566
Other Income O F	13,022	
Other Income SH	12,447	
	1,803,480	1,738,305
*Interest from:		
Bendigo and Adelaide Bank Limited	-	-
	-	-
**Dividends from:		
Bendigo and Adelaide Bank Limited	7,383	7,276
	7,383	7,276

Note 3: Profit from Ordinary Activities

Profit (loss) from ordinary activities before income tax has been determined after:

Charging as Expense:

Amortisation of non-current assets:

- Preliminary expenses		
- Other intangibles	22,282	22,282
- Share issue expenses		
Total amortisation expenses	22,282	22,282

Bad and doubtful debts	820	602
Borrowing costs:		
- Other persons	9,358	13,310
Total borrowing costs	10,178	13,912

Depreciation of non-current assets:

- Buildings	154	171
- Plant and equipment	18,057	28,757
Total depreciation expenses	18,211	28,928

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the financial statements (continued)

	2018	2017
	\$	\$

Note 4: Income Tax

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

Prima facie income tax payable on operating profit at 27.5% (2017 27.5%).	70,845	68,914
Add Tax effect of:		
Imputation credit - Bendigo Bank Shares	870	857
Employee Entitlements	2,637	-1,997
Entertainment	358	1,154
	<u>74,710</u>	<u>68,929</u>
Less:		
Imputation Credit	3,164	3,118
Income tax expense attributable to profit from ordinary activities	<u>71,546</u>	<u>65,811</u>

Note 5: Dividends

Dividends provided for or paid	59,684	50,132
	<u>59,684</u>	<u>50,132</u>

Note 6: Cash assets

Bank accounts:

Cash At Bank - Oak Flats	87,562	0
Dividend Account	3,720	3,723
Cash At Bank - Shellharbour	50,861	24,311
Bendigo Expenses Account	1,540	385
Bendigo Eftpos Account	140	158
Bendigo Account - BO01	303,843	253,843
Other cash items:		
Cash On Hand - Oak Flats	308	308
Cash On Hand - Shellharbour	300	300
	<u>448,274</u>	<u>283,027</u>

Reconciliation of Cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

- Cash	448,274	283,027
- Bank overdrafts (see also Note 13)	0	-1,541
	<u>448,274</u>	<u>281,486</u>

Note 7: Receivables

Current

Trade debtors	139,643	145,109
Other loans	15,076	1,362
	<u>154,719</u>	<u>146,472</u>

Note 8: Other Financial Assets

Current

Shares in other corporations - at cost:

- Listed on a prescribed stock exchange	83,339	83,339
	<u>83,339</u>	<u>83,339</u>

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 9: Other Assets		
Current		
Prepayments	5,037	5,413
	5,037	5,413
Non Current		
Preliminary expenses	106,650	106,650
Less: accumulated amortisation	-106,650	-106,650
Share issue expenses	23,956	23,956
Less: accumulated amortisation	-23,956	-23,956
Borrowing expenses		
Other	0	0
	0	0
Note 10: Property, Plant and Equipment		
Buildings:	632,690	632,690
- At cost	-1,269	-1,115
- Less: Accumulated depreciation	631,421	631,575
Leasehold improvements:		
- At cost	351,703	351,703
- Less: Accumulated depreciation	-296,392	-288,171
	55,311	63,532
Plant and equipment:		
- At cost	41,657	33,037
- Less: Accumulated depreciation	-38,114	-28,278
	3,543	4,759
	690,276	699,867
Note 11: Intangible Assets		
Other intangibles:		
- At cost	161,411	161,411
- Less: Accumulated amortisation	-126,066	-103,784
	35,345	57,628
	35,345	57,628
Note 12: Payables		
Unsecured:		
- Trade creditors	64,713	16,914
- Other creditors	22,543	10,196
	87,256	27,110
Note 13: Secured Loans		
Current		
Bendigo Bank Overdraft	0	1,541
	0	1,541
Non Current		
Bendigo Bank	266,169	313,463
	266,169	313,463
Total Secured Loans	266,169	315,004

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Notes to the financial statements (continued)

	2018	2017
	\$	\$

Note 14: Tax Liabilities

Current

GST clearing

20,343

17,807

Taxation

38,016

46,593

58,359

64,400

Note 15: Provisions

Non Current

Employee entitlements*

77,129

67,541

77,129

67,541

* Aggregate employee entitlements liability

77,129

67,541

There were 12 employees at the end of the year

Note 16: Contributed Capital

459108 Ordinary shares at \$1.00 each fully paid

451,108

451,108

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. 'At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 17: Remuneration & Retirement Benefits

Directors' Remuneration

Number of directors whose income from the company or any related parties was within the following bands:

\$	\$	No	No
100	- 10,000	10	10

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

Geoffrey Michael Egan Chairman, Sponsorship, Remuneration, Business Development, Strategic

Michael Francis Gamble Company Secretary, Governance, Remuneration, Strategic

Jennifer Marie Butler Sponsorship, Audit, Strategic

Neil Greig Business Development, Strategic

Dale Robert Whittaker Marketing, Audit, Recruitment, Strategic

Vanessa Mitrevska Marketing & Sponsorship, Strategic

Andy Zakelj Marketing & Sponsorship, Strategic

Elise Gooda Marketing & Sponsorship, Strategic

Megan Lee Marketing & Sponsorship, Strategic

Ryan Bradbury Company Secretary, Remuneration, Strategic

Note 18: Superannuation Commitments

The company has registered as an employer with the fund nominated by each employee. Contributions to the funds are based on a percentage of employees gross remuneration and are made by the employer. Contributions to the plan will not exceed the permitted levels prescribed by the income tax legislation from time to time

Note 19: Auditors' Remuneration

Remuneration of the auditor of the company for:

Auditing or reviewing the financial report

4,090

3,908

4,090

3,908

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the financial statements (continued)

Note 20: Contingent Liabilities

In the opinion of the directors there are no contingent liabilities at balance date.

Note 21: Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Directors

Transactions with directors:

Professional fees for share registry, dividend payment processing, office administration, taxation and accounting were paid to G.M. Egan & Co., of which Geoffrey Egan is the principal.

Secretarial Services are provided by Wavelength Secretarial Services Pty Ltd, of which Michael Gamble is a Director.

The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the Oak Flats and Shellharbour branches. There is no requirement to own BEN shares and there is no qualification to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. The Directors have estimated the total benefits received from the Directors' Privilege Package to be minimal for the year ended 30 June 2018.

	2018 \$	2017 \$
Note 22: Dividends paid or provided for on ordinary shares		
(a) Previous year final		
Franked dividends - 13 cents per share (2017: 13 cents per share)	59,684	50,132
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 13 cents per share		
(2017: 13 cents per share)	59,684	59,684
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 27.5%	222,322	164,839
- Franking debits that will arise from the Payment (refund) of income tax payable as at the end of the financial year	38,016	30,107
- Franking debits that will arise from the payment of dividends as at the end of the financial year	22,639	22,639
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%). Dividends proposed will be franked at a rate of 27.5% (2017: 27.5%).		

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 23: Earnings per share		
Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.	0.41	0.40
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit/(loss) after income tax expense	186,072	184,786
Weighted average number of ordinary shares for basic and diluted earnings per share	459,108	459,108

Note 24: Financial Instruments

Net Fair Values

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

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

Note 25: Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit committee which reports regularly to the Board. The Audit committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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

Company's maximum exposure to credit risk at reporting date was:

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the financial statements (continued)

25. Financial risk management (continued)

	<u>Carrying amount</u>	
	2018	2017
	\$	\$
Cash assets	448,274	283,027
Receivables	154,719	146,471
	<u>602,993</u>	<u>429,498</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

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 Ltd.

(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 following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years
30 June 2018	\$	\$	\$	\$
Payables	87,256	-	87,256	
Loans and borrowings	266,169	56,832	56,832	209,337
	<u>353,425</u>	<u>56,832</u>	<u>144,088</u>	<u>209,337</u>

(c) Market risk

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

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Notes to the financial statements (continued)

25. Financial risk management (continued)

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2018	2017
	\$	\$
Fixed rate instruments		
Financial assets	0	0
Financial liabilities	0	0
	<u>0</u>	<u>0</u>
Variable rate instruments		
Financial assets	448,274	283,027
Financial liabilities	266,168	315,004
	<u>182,106</u>	<u>(31,977)</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have minimal impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2018 there was also minimal impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) 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) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and 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.

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

The accompanying notes form part of these financial statements. These statements should be read in conjunction with the attached audit report

Directors' declaration

In accordance with a resolution of the Directors of OAK FLATS FINANCIAL SERVICES LTD we state that:

1. In the opinion of the Directors

- a. The Statement of Financial Performance of the company is drawn up so as to give a true and fair view of the loss of the company for the financial year ended 30th June 2018;
- b. The Statement of Financial Position is drawn up so as to give a true and Fair view of the state of affairs of the company as at 30th June 2018 and
- c. At the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

2. The Company in respect of the financial year to which those accounts relate:

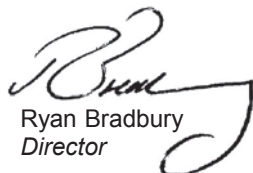
- a. Has kept such accounting records as correctly record and explain the transactions and financial position of the company;
- b. Has kept its accounting records in such a manner as would enable true and fair accounts of the company to be prepared from time to time; and
- c. Has kept its accounting records in such manner as would enable the accounts of the company to be conveniently and properly audited in accordance with the Corporations Law.

3. The accounts to which this statement relates have been properly prepared by a competent person.

On behalf of the Board



Geoff Egan
Chairman



Ryan Bradbury
Director

Signed at Oak Flats on 30 September 2018

Independent audit report

OAK FLATS FINANCIAL SERVICES LIMITED

ACN 093 057 768

Independent Audit Report to the Members of Oak Flats Financial Services Limited

Report on the Financial Report

Opinion

We have audited the financial report of Oak Flats Financial Services Limited (the company), 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of Oak Flats 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 financial performance for the year then ended; and
 - ii. complying with the International Accounting Standards, Australian Accounting Standards and the *Corporations Act 2001*.

Basis for Opinion

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

We 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.

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

Key Audit Matters

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

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. In 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 a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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.

Independent audit report (continued)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.
- 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 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.

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.

Name of Firm:

O'DONNELL HENNESSY & CO

Name and Signature of Principal Auditor:



Angela Wang

Address:

WOLLONGONG

Dated this

28th

day of September 2018

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