Annual Report 2018

Paradise Point Financial Services Ltd

Paradise Point **Community Bank**®
Branch, Upper Coomera and Ormeau branches

ABN 33 095 686 936

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CHAIRMAN'S REPORT 2017-2018 FINANCIAL YEAR

Dear Shareholders,

I am pleased to present to you the 2018 AGM of Paradise Point Financial Services Limited (your **Community Bank**® company). Once again this year your company gross income and net profit have exceeded expectations.

Although the banking environment has been very challenging our dedicated staff have demonstrated that by providing friendly and professional service customer satisfaction can be achieved with consequent increase in business activity.

During the financial year we have donated $160,000.00 to not-for-profit and charitable organisations (see attached list of organisations we have donated to during the financial year), our total donations over our three branches now amount to $1,900,000.00. The directors have continued to focus on improving profit by putting in place strategies that attract customers to our branches and by being cautious with expenses.

The Banking Environment

There is no doubt that the political and regulatory environment within which banks operate have created very challenging business conditions. In addition banking is becoming more and more competitive. The directors are focused on up-skilling our employees in order that they can offer the best possible service to our customers. We are fortunate that we have a great partner in Bendigo Bank as they are committed to connecting with their customers and are Australia's most trusted bank along with being ranked 13th in the world as one of the top companies changing the world.

In addition 322 **Community Bank**® branches, Australia wide, have delivered more than $200 million back to local communities, generating jobs and local community growth.

Your Board of Directors

During the financial year we were pleased to welcome to the board three new directors. Dr Timo Dietrich, a lecturer at Griffith University, Eric Lewis, a retired Information Technology executive with qualifications in Computer Science and with 30 years' experience at major Australian banks and global IT service organisations and Pat Crotty, well-known local identity who has held many responsible positions on the Gold Coast including Inspector of Police Service Surfers Paradise. We look forward to their contributions.

The success of our company is also due to the dedication and commitment of all directors who donate their time and expertise in the administration of the company's affairs.

Dividends

The board recommends a fully franked dividend of 21 cents per share. This dividend brings the total fully franked dividend to $1.67 per share since our company commenced trading. The directors are pleased to inform you that our company is in a very healthy financial position with substantial cash reserves and excellent future prospects.

Our Employees

The directors are very grateful and would like to say thank you to all our employees who consistently attend evening and weekend functions to make presentations and to promote our branches and the service they provide. A particular thank you to our senior manager, Tony Jensen, who is mentor and trainer to our young employees. Tony's commitment to the **Community Bank®** concept and at the same time to achieving our goals is extraordinary, his energy and enthusiasm are an inspiration to all our staff.

All our employees continue to be proactive in ensuring the business continues to achieve the best outcomes for our shareholders, customers, staff and the community.

The Future

Due to the **Community Bank®** model, our dedicated employees and the commitment of our board, we are confident that our company will continue to grow and we will be able to reward our shareholders for their long term support. We are also confident that we will be able to continue to offer support to not-for-profit and charitable organisations in our community. Once again we thank you for your support as our shareholders. If you are banking with our Community Company branches we thank you, if you are not please ask yourself the question "Should I investigate the products and services offered by my **Community Bank®** branch and if satisfied in addition to being a shareholder should I become a very valued customer of my **Community Bank®** branch?"

I would like to assure you that Bendigo Bank products are competitive and that you will be pleasantly surprised by the friendliness and professional service that your **Community Bank®** employees will offer.

In conclusion I would like to point out that you can also help by telling your friends and acquaintances of the great contribution that your **Community Bank®** company makes to our local not-for-profit and charitable organisations and that in order to continue to grow we need also their support.

PAUL VERTULLO
Chairman

SENIOR MANGER'S REPORT

Our business reported a welcome result for the financial year in a challenging environment. Our commitment to our customers and communities remains, with our team demonstrating on countless occasions their willingness to make a difference in building on the financial success of our customers which in turn enables us to build on the prosperity of our local communities in which we operate.

I would like to acknowledge our skilful, friendly, hardworking and dedicated staff teams:

Paradise Point

Darren Kidd (Assistant Manager) Belinda Sippel (Customer Relationship Managers), Amanda Holmes (Customer Relationship Manager), Jess Dimatulac (Customer Service Supervisor), Clive Onley, Kurt Bannister, Brodie Lunney, Wendy Beardshall (Customer Service Officers)

Upper Coomera

Chris Wilshire (Customer Relationship Manager), Christie-Anne Siret (Customer Relationship Officers), Janelle Herne, Ben Ajamian and Bree Noormahomed (Customer Service Officers)

Ormeau

Karen McDonald (Manager), Emily Wells (Customer Relationship Officer), Tracy Webster, Judi Gardiner (Customer Service Officers)

Our business has a passion for our people and our focus of retaining and supporting our team members by ensuring our business is a great place to work and aims to provide an environment which fosters opportunities to grow professionally remains a strategic priority.

The impact and value across many of our cherished community relationships remains to be core of our business model of building profit for purpose with over 150 community groups and causes supported since we opened the doors in 2001. Helping these partners realise their needs in the community is rewarding for our staff and directors and as our business grows over the coming years our community investments will exceed the $2 million millstone. This year our community impact also included supporting students in our board observer program in conjunction with Griffith University and an exciting development with Yannick Van Hierden the recipient of a scholarship, Yannick is currently working on a project of difference as the 2018 scholarship recipient. The project will serve as Yannick's thesis for his master's degree. It will include an examination and revision of the ways in which our **Community Bank**® branches engage with their surrounding area. He's going to help us understand more what the communities are seeking from us. We're really looking forward to what the outcomes will be.

The growth of our business and acquisition of more customers remains strategically targeted across our key markets identified across Paradise Point, Ormeau and Upper Coomera. The financial year ahead we anticipate exceeding 8,000 customers across our 3 branches.

Our business performance for the financial year is another good story to share achieving a credible 7% increase in % net profit on the previous year achieved through a 7% increase on the former year's revenue. Across our three branches our total business footings is over $360 million, comprised of $176 million in loans, $151 million in deposits and $32 million in other business. With our branches will situated within the residential growth corridor of Australia, combined with the deep connection with our community I am confident we will continue to see our business grow as a result of our dedicated staff, board and loyal customers.

I thank our **Community Bank®** company Board of Directors for their support in backing our staff who are constantly engaging with the community in many ways. Also, a big thank you to those **Community Bank®** company shareholders who simply bank with us. This support on top of our growing customer base provides advocacy that will see our continued success.

Our enthusiastic staff are all looking forward to the year ahead.

We are confident that together, we will again achieve solid customer growth, which in turn, will benefit our communities and you our shareholders.

As a customer of Paradise Point **Community Bank®** Branch, Upper Coomera & Ormeau branches , you're a powerful member of your local community.

Why? Because you make things happen. Great things. And all it takes is your banking.

When you choose to bank with us, it sets in train a cycle that results in great outcomes in your local community.

And that's pretty powerful.

Tony Jensen

Senior Manager

DONATIONS AND SPONSORSHIP RECIPIENTS 2017/2018

Paradise Point:

- Australian Trade Industry College
- Griffith University Institute for Glycomics
- Griffith University School of Business – Education
- Paradise Point Bowls Club
- Paradise Point Sailing Club
- Rotary Club of Runaway Bay – Mental Health Symposium
- Rotary Club of Runaway Bay – New Born Babies
- Runaway Bay Junior Rugby League Football Club - Seagulls
- Runaway Bay Soccer Club - Bayhawks
- St Francis Xavier School
- Starting Strong Inc – Youth Care
- Teenage Adventure Camps – Youth Care
- Home of The Arts, Gold Coast
- Seahawks Gold Coast Basketball Inc
- Runaway Bay Baseball Club
- Sailability
- Gold Coast University Hospital
- Lions Club of Palm Beach
- Lions Club of Sanctuary Cove
- Rotary Club of Broadwater-Southport
- Paradise Point Biggest Morning Tea
- Hello Pongo Book
- Rotary Club of Runaway Bay

Upper Coomera:

- Artists Envision Health Inc
- Coomera Cubs Baseball Club
- Highland Reserve School P&C
- Nerang & District Equestrian Centre Dressage Club
- Northern Collegiate Australian Business Week
- Oxenford Men's Shed
- Rotary Club of Coomera Valley – Xmas Carols & ANZAC Parade
- The Coomera Australian Football Club - Magpies Jnr & Snr
- Young Carer Project Launch
- Upper Coomera Lions
- Tamborine Mountain Soccer Club
- Tamborine Show Society
- Tamborine Mountain Chamber of Commerce
- Greystone Farm Nature Play
- Assisi P&F Association
- Upper Coomera Neighbourhood Watch
- Upper Coomera State College
- Scenic Rim Eat Local Week

DONATIONS AND SPONSORSHIP RECIPIENTS 2017/2018

Ormeau:

- Gold Coast Inclusive Sport
- Highway Christian Church – Xmas Carols
- My Ormeau Inc
- Norfolk Village State School
- Livingston Christian College
- Ormeau Bulldogs Junior Australian Football Club
- Ormeau Cricket Club
- Ormeau Lions – Ormeau Fair
- Ormeau Pimpama Royals Netball Club
- Ormeau Shearers Jnr Rugby League
- Ormeau State School
- Mater Epilepsy Foundation
- Brisbane Polo & Equestrian Club

PARADISE POINT FINANCIAL SERVICES LTD

ABN: 33 095 686 936

Financial Report for the Year Ended

30 June 2018

PARADISE POINT FINANCIAL SERVICES LTD

ABN: 33 095 686 936

Financial Report For The Year Ended 30 June 2018

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DIRECTORS' REPORT

Directors present their report on Paradise Point Financial Services Ltd, 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:

Paul Vertullo (Chair)	Nicole Hintz (resigned 28/11/2017)
Lesley Woodford-Carr	Leslie William Forster (resigned 15/09/2017)
Ewald Gerhard Kuppe	Nicholas Mathers (resigned 15/09/2017)
Paul James Wraith	Timo Henrik Oliver Dietrich (appointed 28/11/2017)
Martin Mankowski	Eric James Lewis (appointed 28/11/2017)

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 financial year were facilitating community Bank Services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

No significant change in the nature of these activities occurred during the year.

Review of Operations

The after-tax profit of the company for the financial year amounted to $476,730, which is an 8% increase as compared with that of the previous year (2017: $442,609).

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 and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Dividends

Dividends paid or declared since the start of the financial year are as follows:

– A fully franked dividend of $124,950 (20 cents per share) was declared and paid on 11 December 2017 as recommended in last year's report.

– Additionally, a fully franked interim dividend of $62,475 (10 cents per share) was declared and paid on 29 June 2018 (2017: $124,950).

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Options

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

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

The company has paid premiums to insure directors under a Directors and Officers Insurance policy. The details of the indemnity insurance are as follows:

– The company has indemnified all directors, officers 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, officers 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.

No indemnification has been obtained for the auditors of the company.

Proceedings on Behalf of the 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.

Information on Directors

Paul Vertullo	Real Estate Agent
Qualifications	Real Estate Agent, Auctioneer
Experience	Director of National Company, 15 year Director of Publicly listed company - PPFS
Special Responsibilities	Chairman
Lesley Woodford-Carr	Lawyer
Qualifications	Diploma Law Solicitors Admission Board – Supreme Court of NSW, Admitted Practice NSW, QLD & High Court of Australia, Associate Diploma of Insurance – Insurance Institute and Practice Management Certificate NSW and QLD.
Experience	Judges Associate District Court of NSW to His Honour Judge Godfrey Smith. Legal Clerk at Ebsworth & Ebsworth Solicitors. Australian Operations Claims Manager at QBE Insurance Ltd. Fiduciary Duties Committee NSW as representative from Insurance Industry. Australian Operations Workers Compensation Underwrite at QBE Insurance. Workers Compensation Underwriter, Australia, Switzerland General Insurance. Training in global insurance programs and reinsurance, Switzerland General Insurance Zurich. Switzerland General Corporate Solicitor and Principal of inhouse Legal Department. Senior Associate for Dunhill Madden Butler Solicitors (now Deacons) Insurance Division. Principal at Woodford-Carr & Associates Solicitors. Company Secretary at Bayview Harbour Yacht Squadron Pty Ltd. Director/secretary of other Private Companies with miscellaneous activities.
Special Responsibilities	Company Secretary, Deputy Chair and Sponsorship Committee Chair.
Ewald Gerhard Kuppe	Businessman
Qualifications	Marine Engineering, Petty Officer, RAN for 7 years. Chemical Engineering for Shift Forman ICI Australia. Licensed Real Estate Agent & Proprietor in Sydney. JP in NSW. Accounts Manager for Paradise Lakes Nursing Centre. Company Director of various companies in Sydney. Travel Agency Proprietor in Sydney.

	Bookkeeping for Trust Accounts for Real Estate Agents. Commissioner for Declarations QLD. Member of QLD Justices Association. Property Investor.
Experience	Director PPFS since 2004
Special Responsibilities	Sponsorship Committee
Paul James Wraith	Retired Businessman
Qualifications	3 years U/Q Electrical Engineering Radio technology 1/ICS, Business Owner
Experience	36 years Business Owner Civil Contracting
Special Responsibilities	Marketing Committee
Martin Mankowski	Retired Accountant
Qualifications	UK: Bsc Eng (Hons), MBA, CEng, ACMA
Experience	Engineering, Accounting, Consulting
Special Responsibilities	Financial Controller. Also Director RRtek & Wavebreak. Accountant for Founders Forum.
Nicole Hintz	Real Estate Agent
Leslie William Forster	Builder
Qualifications	Software Engineering (HND), Electronic Engineering (HND)
Experience	Appointed Director in 2015. Experience in Security Architecture for NAB, ANZ, and Westpac.
Special Responsibilities	Member of the Sponsorship Committee
Nicholas Mathers	IT Consultant
Qualifications	Account Executive
Experience	25 years Sales Experience (19 years with Large Multinational Organisations)
Special Responsibilities	Marketing Committee
Timo Henrik Oliver Dietrich	Lecturer at Griffith University & Postdoctoral Research Fellow at The University of Queensland
Qualifications	PhD, MIB(Hons), BBus(Hons)
Experience	Timo is a digital and social marketing expert and uses a suite of behavioural theories to engage and move customers along the conversion funnel. He works with a diverse range of industry partners from the finance, technology, and health sector and has attracted more than $1,350,000 in research and consulting income. Timo started his professional career as a Corporate Relationship Manager at DZ Bank in Germany. He extended his education at Griffith University in Australia, completing a Master degree in International Business (First Class Honours) followed by a PhD in Social Marketing. Timo has published his research in more than 60 refereed books, journal papers and conference papers.
Special Responsibilities	Marketing

DIRECTORS' REPORT

Eric James Lewis	Retired Information Technology Executive
Qualifications	BSc. Computer Science, Grad. Dip. Information Management
Experience	30+ years Information Technology Management experience at major Australian Banks, and Global I.T. Service organisations
Special Responsibilities	Executive Management

Directors' Meetings

During the financial year, 22 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Sponsorship Committee	
Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Paul Vertullo (Chair)	12	12	-	-
Lesley Woodford-Carr	12	12	10	10
Ewald Gerhard Kuppe	12	10	10	8
Paul James Wraith	12	11	5	3
Martin Mankowski	12	9	-	-
Nicole Hintz (resigned 28/11/2017)	5	1	-	-
Les Forster (resigned 15/09/2017)	2	2	-	-
Nicholas Mathers (resigned 15/09/2017)	2	1	-	-
Timo Henrik Oliver Dietrich (appointed 28/11/2017)	7	6	-	-
Eric James Lewis (appointed 28/11/2017)	7	5	-	-

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Lesley Woodford-Carr is a lawyer who has established her own practice in Sydney NSW and commenced trading in QLD in June 1993. Lesley Woodford-Carr has the following previous work experience: Associate to His Honour Judge Godfrey-Smith at the District Court of NSW, Australian Operations Claimes Controller with QBE Insurance Ltd, Australian Operations Workers Compensation Underwriter with QBE Insurance Ltd, Switzerland Insurance Workers Compensation Underwriter, Switzerland Insurance Corporate Lawyer, Dunhill Madden Butler Solicitors, Sydney Senior Associate Insurance Division, Mrs Woodford-Carr was appointed Company Secretary on 1 December 2015.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is included in page 5 of this financial report and forms part of this Director's Report.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director ....

Paul Vertullo

Dated this 26th day of September 2018

PARADISE POINT FINANCIAL SERVICES LIMITED
ABN 33 095 686 936

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO DIRECTORS OF PARADISE POINT FINANCIAL SERVICES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been:

a. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

Boutique Audit Solutions Pty Ltd
Authorised Audit Company No 494151

A.L. Blank.

Andrea Blank BBus CPA RCA
Director

Dated this 26th day of September 2018

Upper Coomera, Qld 4209

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Revenue	2	3,007,419	2,804,408
Other income	2c	610	7,941
Employee benefits expense	3	(1,108,032)	(1,171,387)
Charitable donations, sponsorships, advertising and promotion		(231,758)	(165,154)
Occupancy and associated costs		(305,858)	(305,036)
Finance costs	3	(14)	(184)
Depreciation and amortisation expenses		(71,593)	(68,411)
General administration		(621,252)	(477,406)
Loss on disposal of non-current assets		(479)	(6,957)
Profit before income tax		669,043	617,814
Tax expense	4	(192,313)	(175,205)
Profit for the year		476,730	442,609
Other comprehensive income:			
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		476,730	442,609
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cash per share):			
- Basic earnings per share	23	76.28	70.85

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 $	2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	135,292	261,883
Trade and other receivables	8	269,704	275,046
Short-term investments	9	1,200,000	960,413
Other assets	12	20,409	39,924
TOTAL CURRENT ASSETS		1,625,405	1,537,266
NON-CURRENT ASSETS			
Trade and other receivables	8	1,000	1,000
Property, plant and equipment	10	309,525	282,269
Intangible assets	11	114,603	12,233
Other assets	12	8,500	24,412
TOTAL NON-CURRENT ASSETS		433,628	319,914
TOTAL ASSETS		2,059,033	1,857,179
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	118,138	158,625
Borrowings	14	2,790	10,940
Current tax liabilities	15	62,305	85,444
Provisions	16	51,085	57,919
TOTAL CURRENT LIABILITIES		234,318	312,927
NON-CURRENT LIABILITIES			
Borrowings	14	-	4,722
Deferred tax liabilities	15	24,886	25,876
Provisions	16	22,132	25,261
TOTAL NON-CURRENT LIABILITIES		47,018	55,859
TOTAL LIABILITIES		281,336	368,787
NET ASSETS		1,777,697	1,488,392
EQUITY			
Issued capital	17	608,450	608,450
Retained earnings		1,169,247	879,942
TOTAL EQUITY		1,777,697	1,488,392

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Note	Ordinary Share Capital	Retained Earnings	Total
		$	$	$
Balance at 1 July 2016		608,450	562,282	1,170,732
Comprehensive income				
Profit or loss for the year		-	442,610	442,610
Total comprehensive income		-	442,610	442,610
Transactions with owners, in their capacity as owners				
Dividends paid or provided for	5	-	(124,950)	(124,950)
Balance at 30 June 2017		608,450	879,942	1,488,392
Balance at 1 July 2017		608,450	879,942	1,488,392
Comprehensive income				
Profit or loss for the year		-	476,730	476,730
Total comprehensive income		-	476,730	476,730
Transactions with owners, in their capacity as owners				
Dividends paid or provided for	5	-	(187,425)	(187,425)
Balance at 30 June 2018		608,450	1,169,247	1,777,697

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,283,572	2,943,002
Payments to suppliers and employees		(2,560,727)	(2,324,511)
Interest received		29,008	12,723
Interest paid		(14)	(184)
Income tax paid		(236,847)	(110,609)
Net cash provided by operating activities	20a	514,992	520,421
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of non-current assets		7,727	36,963
Purchase of property, plant and equipment		(73,237)	(19,109)
Purchase of intangible assets		(136,189)	-
Purchase of financial assets		(239,587)	(200,723)
Net cash used in investing activities		(441,286)	(182,869)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of borrowings		(12,872)	(49,451)
Payment of dividends on ordinary shares		(187,425)	(124,950)
Net cash used in financing activities		(200,297)	(174,401)
Net (decrease) / increase in cash held		(126,591)	163,151
Cash and cash equivalents at beginning of year		261,883	98,732
Cash and cash equivalents at end of year	7	135,292	261,883

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The financial statements and notes represent those of Paradise Point Financial Services Ltd. Paradise Point Financial Services Ltd is a company limited by shares, incorporated and domiciled in Australia.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the 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 accrual 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. The amounts presented in the financial statements have been rounded to the nearest dollar unless stated otherwise.

Accounting Policies

a. **Income Tax**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or

(b) the initial recognition of an asset or liability in a transaction which:

(i) is not a business combination; and

(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred 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. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. **Property, Plant and Equipment**

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

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. 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 (refer to Note 1(d) for details of impairment).

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

Subsequent costs are included in the asset's 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 in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Class of Fixed Asset	Depreciation Rate
Property improvements	2.5%
Plant and equipment	7.5% - 50%
Furniture and fittings	6.67% - 50%
Motor vehicles	25%

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

c. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the financial instrument. For financial assets, this is the date that the entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised as expenses in profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments made 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.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when 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 profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Company's accounting policy.

The Company does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are contingent consideration that may be paid by an acquirer as part of a business combination to which AASB 3: *Business Combinations* applies, held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains and losses arising on remeasurement recognised in profit and loss. The net gain or loss recognised in profit and loss includes any dividend or interest earned of the financial asset and is included in other gains and losses of the face of the statement of profit and loss and other comprehensive income.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

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.

Contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies is classified as a financial liability and measured at fair value through profit or loss.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for shares classified as available-for-sale. For all other financial assets, including redeemable notes classified as available-for-sale and finance lease receivables, objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty; breach of contract, such as a default or delinquency in interest or principal payments; it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties. For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

At the end of each reporting period the company assessed whether there is any objective evidence that a financial asset or group of financial assets is impaired (other than financial assets classified as at fair value through profit or loss).

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract issued by a company are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of: the amount of the obligation under the contract, as determined in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Derecognition

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

d. **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 considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. 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 costs of disposal 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 (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

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e. **Intangible Assets Other than Goodwill**

Franchise fee

Franchise fees and other upfront payments have been initially recorded at cost and amortised on a straight-line basis based on the period covered.

Software and website development costs

Software and website development costs are capitalised only when the Company can demonstrate all of the criteria outlined in AASB 138.57. Software and developed websites are considered as having finite useful lives and are amortised on a systematic basis over their useful lives so as to match the economic benefits received to the periods in which the benefits are received. Amortisation begins when the software or websites become operational.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– its intention to complete the intangible asset and use or sell it;

– its ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amortisation rates used for each class of intangible asset with a finite useful life are:

Class of Intangible Asset	**Amortisation Rate**
Franchise fee	20% - 33.33%

f. **Employee Benefits**

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 Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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

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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. Upon the remeasurement of obligations due to changes in assumptions for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense in the periods in which the changes occur.

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

g. **Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

h. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as borrowings in current liabilities on the statement of financial position.

i. **Revenue and Other Income**

Interest and fee revenue is recognised to the extent that it is probable that economic benefits will flow to the entity and the revenue can be reliably measured.

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

Revenue calculation.

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits;
- Plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit;
- Minus and cost of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund

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a loan.

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

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

Commission

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

Fee income

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

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

j. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are

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classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(c) for further discussion on the determination of impairment losses.

k. **Trade and Other Payables**

Trade and other payables are initially measured at fair value and subsequently measured at cost using the effective interest method.

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

l. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost base of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

m. **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 as part of 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 financing and investing 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.

n. **Comparative Figures**

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

Where the Company retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

Short-term deposits have been reclassified from Cash and Cash Equivalents to Financial Assets to more accurately reflect the nature of the term deposits.

o. **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.

Key estimates

(i) *Impairment*

The company assesses impairment at the end of each reporting period by evaluating the 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

incorporate various key assumptions.

Key judgements

(i) *Employee benefits*

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the company expects that all its employees would use all their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the directors consider that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

p. **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

– AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

AASB 2014-7 (issued December 2014) gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issue of AASB 9: *Financial Instruments (December 2014)*. More significantly, additional disclosure requirements have been added to AASB 7: *Financial Instruments: Disclosures* regarding credit risk exposures of the entity. This Standard also makes various editorial corrections to Australian Accounting Standards and an Interpretation. AASB 2014-7 mandatorily applies to annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted, provided AASB 9 (December 2014) is applied for the same period.

– AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 entity 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 a customer;
- 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.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

It is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

– AASB 2014-5: *Amendments to Australian Accounting Standards arising from AASB 15*

This Standard is applicable to annual reporting periods beginning on or after 1 January 2017 and makes consequential amendments to various Australian Accounting Standards arising as a result of the issue of AASB 15: *Revenue from Contracts with Customers*. AASB 2014-5 is not expected to impact the company's financial statements.

– AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

This Standard amends the mandatory effective date (application date) of AASB 15: *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. Therefore, this Standard also defers the consequential amendments that were originally set out in AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15. This deferral is achieved in a variety of ways because some of the Standards amended by AASB 2014-5 have been superseded by new principal versions issued in 2015 that apply to annual reporting periods beginning on or after 1 January 2017 or 2018. This Standard amends Interpretation 1052: *Tax Consolidation Accounting* to update the crossreferences to Standards and to remove the references to dividends and other distributions, so that the wording of Int 1052.45 is appropriate for annual reporting periods beginning on or after 1 January 2018. AASB 15 is also reformatted to follow the structure of the new principal versions of other Standards by deleting or moving the Aus-numbered "Application" paragraphs.

– AASB 2016-3 (issued May 2016) makes amendments to AASB 15 to:

- clarify the requirements for assessing whether two or more promises to transfer goods or services to a customer are separately identifiable when identifying performance obligations in accordance with AASB 15.27(b) and the factors indicating this assessment;
- elaborate on the assessment of "control" over goods or services when determining whether an entity is acting as a principal or agent;
- clarify the timing of revenue recognition from licensing transactions; and
- extend the application of practical expedients on transition to AASB 15.

AASB 2016-3 mandatorily applies to annual reporting periods beginning on or after 1 January 2018, with earlier application permitted.

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– AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

  The main changes introduced by the new Standard are as follows:

  - recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
  - depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
  - inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
  - application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
  - inclusion of additional disclosure requirements.

  The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

  Although the directors anticipate that the adoption of AASB 16 may have an impact on the company's financial statements, the company is yet to undertake a detailed assessment of the impact of AASB 16.

q. **Economic Dependency**

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank ® branch/es 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/es;
- Training for the branch manager and other employees in banking, management systems and interface protocol
- Methods and procedures for the sale of products and provision of services
- Security and cash logistic controls
- Calculation of company revenue and payment of many operating and administrative expenses

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- The formulation and implementation of advertising and promotional programs
- Sales techniques and proper customer relations

NOTE 2: REVENUE AND OTHER INCOME

	Note	2018 $	2017 $
Revenue			
Services and other revenue		2,981,603	2,783,032
Dividend revenue	2a	-	-
Interest revenue	2b	25,816	21,376
Total Revenue		3,007,419	2,804,408
a. **Dividend revenue**			
Dividends from short-term investments (available-for-sale)		-	-
Total dividend income		-	-
b. **Interest revenue**			
Other corporations		25,816	21,376
Total interest income		25,816	21,376
c. **Other income**			
Other sundry income		610	7,941
Total other income		610	7,941

NOTE 3: PROFIT/(LOSS) BEFORE INCOME TAX

	2018 $	2017 $
Profit before income tax from continuing operations includes the following expenses:		
Expenses		
Employee benefits expense:		
– Employee benefits expense	1,108,032	1,171,387
Finance costs:		
– Interest expense	14	184

NOTE 4: TAX EXPENSE

	Note	2018 $	2017 $
a. The components of tax expense comprise:			
– current tax expense		193,303	167,949
– deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	15	(990)	7,257
		192,313	175,205
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 27.5%)		183,987	169,899
Add tax effect of:			
– Non-deductible depreciation and amortisation		3,259	3,259
– other non-allowable items		5,067	2,047
Income tax attributable to entity		192,313	175,205
The applicable income tax rate is the Australian federal tax rate of 27.5% (2017: 27.5%) applicable to Australian resident companies.			
Weighted average effective tax rates are:		28.7%	28.4%

NOTE 5: DIVIDENDS

	2018 $	2017 $
Dividends recognised as distributions and paid during the period:		
Final fully franked ordinary dividend of 20 cents per share (2017: nil) franked at the tax rate of 27.5% (2017: 27.5%)	124,950	-
Interim fully franked ordinary dividend of 10 cents per share (2017: 20 cents per share) franked at the tax rate of 27.5% (2017: 27.5%)	62,475	124,950
Per share dividends amount paid during the period	0.30	0.20

NOTE 6: AUDITOR'S REMUNERATION

	2018 $	2017 $
Remuneration of the auditor is as follows:		
Auditing or reviewing the financial statements	5,500	7,700
Total auditor's remuneration	5,500	7,700

NOTE 7: CASH AND CASH EQUIVALENTS

	2018	2017
	$	$
Cash at bank and on hand	135,292	261,883
	135,292	261,883

Cash and cash equivalents balance as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows:

Per the statement of financial position	135,292	261,883
Less bank overdraft	-	-
Per the statement of cash flows	135,292	261,883

NOTE 8: TRADE AND OTHER RECEIVABLES

	2018	2017
	$	$
CURRENT		
Trade receivables:		
Trade receivables	263,622	275,046
	263,622	275,046
Other receivables:		
Accrued income	6,082	-
	6,082	-
Total current receivables	**269,704**	**275,046**
NON-CURRENT		
Security deposit	1,000	1,000
Total non-current receivables	**1,000**	**1,000**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 8. The main sources of credit risk to the company are considered to relate to the classes of assets described as “trade and other receivables”.

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.

NOTE 8: TRADE AND OTHER RECEIVABLES

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

	Gross Amount	Past Due and Impaired	Past Due but Not Impaired (Days Overdue) < 30	31–60	> 60	Not Past Due
	$	$	$	$	$	$
2018						
Trade receivables	263,622	-	-	-	-	263,622
Other receivables	7,082	-	-	-	-	7,082
Total	**270,704**	**-**	**-**	**-**	**-**	**270,704**
2017						
Trade receivables	211,115	-	-	-	-	211,115
Other receivables	1,000	-	-	-	-	1,000
Total	**212,115**	**-**	**-**	**-**	**-**	**212,115**

	Note	2018 $	2017 $
a. **Financial assets at amortised cost classified as trade and other receivables**			
Trade and other receivables:			
Current		269,704	275,046
Non-current		1,000	1,000
Total financial assets classified as trade and other receivables	22	270,704	276,046

b. **Collateral held**

No collateral is held over trade and other receivables.

NOTE 9: FINANCIAL ASSETS

	Note	2018 $	2017 $
CURRENT			
Short-term investments:			
Held-to-maturity investments	9a	1,200,000	960,413
Total current financial assets		1,200,000	960,413
a. Held-to-maturity investments:			
Term deposits	22	1,200,000	960,413
		1,200,000	960,413

NOTE 9: FINANCIAL ASSETS

	Gross Amount	Past Due and Impaired	Past Due but Not Impaired	Not Past Due
	$	$	$	$
2018				
Short-term investments	1,200,000	-	-	1,200,000
Total	**1,200,000**	**-**	**-**	**1,200,000**
2017				
Short-term investments	960,413	-	-	960,413
Total	960,413	-	-	960,413

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		$	$
Leasehold improvements:			
At cost		8,720	8,720
Accumulated depreciation		(372)	(154)
Total leasehold improvements	10a	8,348	8,566
Motor vehicles:			
At cost		19,774	40,918
Accumulated depreciation		(12,357)	(21,068)
Total motor vehicles	10a	7,417	19,850
Plant and equipment:			
At cost		712,546	639,307
Accumulated depreciation		(418,786)	(385,455)
Total plant and equipment	10a	293,760	253,852
Total property, plant and equipment		309,525	282,269

a. **Movements in carrying amounts**

	2018	2017
Leasehold improvements:		
Balance at the beginning of the reporting period	8,566	-
Additions	-	8,720
Depreciation expense	(218)	(154)
Balance at the end of the reporting period	8,348	8,566

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Note	2018 $	2017 $
Motor vehicles:			
Balance at the beginning of the reporting period		19,850	75,446
Disposals – at written-down value		(8,207)	(43,920)
Depreciation expense		(4,226)	(11,676)
Balance at the end of the reporting period		7,417	19,850
Plant and equipment:			
Balance at the beginning of the reporting period		253,853	270,466
Additions		73,238	10,389
Depreciation expense		(33,331)	(27,002)
Balance at the end of the reporting period		293,760	253,853

NOTE 11: INTANGIBLE ASSETS

	Note	2018 $	2017 $
Franchise fees:			
Franchise renewal fees at cost		262,056	125,867
Franchise establishment fees at cost		277,800	277,800
Accumulated amortisation		(425,298)	(391,816)
Net carrying amount	11a	114,558	11,851
I.T Software at cost:			
At cost		30,491	30,491
Accumulated amortisation		(30,491)	(30,491)
Net carrying amount	11a	-	-
Borrowing costs:			
At cost		1,170	1,170
Accumulated amortisation		(1,125)	(789)
Net carrying amount	11a	45	381
Total intangible assets		114,603	12,233

a. **Movements in carrying amounts**

	2018 $	2017 $
Franchise fees:		
Balance at the beginning of the reporting period	11,851	40,945
Additions	136,189	-
Amortisation expense	(33,482)	(29,094)
Balance at the end of the reporting period	114,558	11,851

NOTE 11: INTANGIBLE ASSETS

	2018	2017
	$	$
I.T Software:		
Balance at the beginning of the reporting period	-	-
Amortisation expense	-	-
Balance at the end of the reporting period	-	-
Borrowing costs:		
Balance at the beginning of the reporting period	381	866
Amortisation expense	(336)	(485)
Balance at the end of the reporting period	45	381

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss.

NOTE 12: OTHER ASSETS

	2018	2017
	$	$
CURRENT		
Prepayments	20,409	39,924
Total current other assets	**20,409**	**39,924**
NON-CURRENT		
Prepayments	8,500	24,412
Total non-current other assets	**8,500**	**24,412**

NOTE 13: TRADE AND OTHER PAYABLES

		2018	2017
	Note	$	$
CURRENT			
Unsecured liabilities:			
Sundry payables and accrued expenses		118,138	158,625
Total current unsecured liabilities		118,138	158,625
Total trade and other payables	13a	118,138	158,625

a. **Financial liabilities at amortised cost classified as trade and other payables**

Trade and other payables:			
Total current		118,138	158,625
Financial liabilities as trade and other payables	22	118,138	158,625

NOTE 14: BORROWINGS

	2018	2017
	$	$
CURRENT		
Chattel mortgage	2,790	10,940
Total current borrowings	**2,790**	**10,940**
NON-CURRENT		
Chattel mortgage	-	4,722
Total non-current borrowings	**-**	**4,722**
Total borrowings	**2,790**	**15,662**

a. **Collateral held**

No collateral is held over the chattel mortgage.

NOTE 15: TAX BALANCES

	2018	2017
	$	$
Current liabilities		
Income tax payable	62,305	85,444
Non-current liabilities		
Deferred tax liabilities	24,886	25,876

	Balance as at 30 June 2018	(Charged)/ Credited to Income	Balance as at 30 June 2017	(Charged)/ Credited to Income	Balance as at 1 July 2016
	$	$	$	$	$
Deferred tax liabilities					
Property, plant and equipment	38,087	(2,782)	40,869	(1,525)	42,394
Provisions	(19,524)	4,628	(24,152)	84	(24,236)
Other	6,323	(2,836)	9,159	8,698	461
	24,886	(990)	25,876	7,257	18,619

The amount of deductible temporary differences and unused tax losses for which no deferred tax asset has been brought to account:

– temporary differences $76,395 (2017: $73,136)

– tax losses: operating losses $nil (2017: $nil)

The benefits of the above temporary differences and unused tax losses will be realised when the conditions for deductibility set out in Note 1(a) occur. These amounts have no expiry date.

NOTE 16: PROVISIONS

	Employee Benefits	Other	Total Provisions
Analysis of Provisions	**$**	**$**	**$**
Opening balance at 1 July 2017	78,158	5,022	83,180
Amount provided / (utilised) during the year	(7,162)	(2,801)	(9,963)
Balance at 30 June 2018	70,996	2,221	73,217

	2018	2017
	$	**$**
CURRENT		
Annual leave	42,508	52,897
Long service leave	6,356	-
Dividends	767	767
Fringe benefits tax	1,454	4,255
NON-CURRENT		
Long service leave	22,132	25,261
Total provisions	73,217	83,180

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(f).

NOTE 17: ISSUED CAPITAL

	2018	2017
	$	**$**
624,750 fully paid ordinary shares (2017: 624,750)	624,750	624,750
Less: Bonus share reserve	(16,300)	(16,300)
Total share capital	608,450	608,450

NOTE 17: ISSUED CAPITAL

	2018 No.	2017 No.
a. Movements in issued capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	608,450	608,450
Shares issued during the year	-	-
At the end of the reporting period	608,450	608,450
Fully paid bonus ordinary shares:		
At the beginning of the reporting period	16,300	16,300
Shares issued during the year	-	-
At the end of the reporting period	16,300	16,300

Rights attached to shares

(i) Voting rights

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

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

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

(ii) Dividends

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

(iii) Transfer

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

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

NOTE 17: ISSUED CAPITAL

Prohibited shareholding interest

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

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

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

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

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

b. **Capital management**

Management controls the capital of the company in order to maintain a satisfactory debt to equity ratio and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. Currently, the company does not consider it necessary to finance its operations through debt capital. Accordingly, the company's only material financial liabilities at the end of the reporting period are trade and other payables.

Management manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There have been no changes in the capital structure or the objectives, policies, processes and strategy adopted by management to manage the capital of the company from the previous year.

The capital structure at 30 June 2018 and 30 June 2017 is as follows:

	Note	2018 $	2017 $
Borrowings:			
– chattel mortgage liabilities	14	2,790	15,662
Total borrowings		2,790	15,662
Trade and other payables	13	118,138	158,625
Less cash and cash equivalents	7	(135,292)	(261,883)
Net debt		-	-
Total equity		1,777,546	1,488,392
Total capital		1,777,546	1,488,392
Gearing ratio (%)		0%	0%

NOTE 17: CAPITAL AND LEASING COMMITMENTS

	2018	2017
	$	**$**
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payables – minimum lease payments:		
– not later than 12 months	244,572	225,764
– between 12 months and 5 years	398,691	940,241
– later than 5 years	-	-
Total operating lease payables	643,263	1,166,005

The property leases are non-cancellable leases with a three or five-year terms, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that lease payments shall be increased annually by the change in the consumer price index (CPI). An option exists to renew the leases at the end of the three or five-year terms for an additional term of three or five years respectively. Leases also allow for subletting of lease areas.

NOTE 18: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

There has been no contingent liabilities after the end of the financial year that would materially affect the financial statements.

Contingent Assets

There has been no contingent assets after the end of the financial year that would materially affect the financial statements.

NOTE 19: EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant events since the end of the reporting period.

NOTE 20: CASH FLOW INFORMATION

		2018	2017
		$	$
a.	**Reconciliation of cash flows from operating activities with profit for the year**		
	Profit after income tax	476,730	442,609
	Non-cash items:		
	Depreciation and amortisation	71,593	68,411
	Net loss on disposal of property, plant and equipment	479	6,957
		548,802	517,977
	Changes in assets and liabilities:		
	Decrease in trade and other receivables	5,342	3,603
	Decrease/(increase) in prepayments	35,427	(59,324)
	Decrease in trade and other payables	(40,487)	(33,127)
	(Decrease)/increase in provisions – employee benefits	(7,162)	15,225
	(Decrease)/increase in provisions - other	(2,801)	1,228
	(Decrease)/increase in current tax liabilities	(23,139)	67,584
	(Decrease)/increase in deferred tax liabilities	(990)	7,257
		(33,810)	2,446
	Net cash provided by operating activities	**514,992**	**520,422**

NOTE 21: RELATED PARTY TRANSACTIONS

The company's main related parties are as follows:

a. **Key management personnel of the company**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the entity, is considered key management personnel.

b. **Other related parties of the company**

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.

Transactions and outstanding balances with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (ie at arm's length) unless the terms and conditions disclosed below state otherwise. The following transactions occurred with related parties:

NOTE 21: RELATED PARTY TRANSACTIONS

		2018	2017
		$	**$**
(i)	*Key management personnel*		
	Key management personnel compensation	10,000	96,468
	Total compensation	10,000	96,468
		# Shares	**# Shares**
	Shares held by key management personnel:		
	Paul Vertullo	50,500	50,500
	Ewald Gerhard (Garry) Kuppe	16,000	15,000
	Paul James Wraith	59,900	59,900
	John Ronald Hooton	-	6,000
	Lesley Woodford-Carr	3,500	500
	Martin Mankowski	2,500	-
	Timo Henrik Oliver Dietrich	1,000	-
	Eric James Lewis	500	-
	Total shares held by key management personnel	133,900	131,900

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

During the year, directors were paid honorarium to reimburse costs incurred in the conduct of their duties.

The total honorarium was $31,200 (2017: $36,900).

NOTE 22: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from related parties, bills, leases, preference shares, and derivatives.

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 22: FINANCIAL RISK MANAGEMENT

	Note	2018 $	2017 $
Financial assets			
Cash and cash equivalents (net of bank overdrafts)	7	135,292	261,883
Trade and other receivables	8	270,704	276,046
Short-term investments:			
– held-to-maturity investments	9	1,200,000	960,413
Total financial assets		1,605,996	1,498,342
Financial liabilities			
Trade and other payables	13a	118,138	158,625
Borrowings	14	2,790	15,662
Total financial liabilities		120,928	174,287

Financial Risk Management Policies

The Board's overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements.

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management

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

a. **Liquidity risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company is not currently exposed to any significant liquidity risk on the basis that the realisable value of financial assets is significantly greater than the financial liabilities due for settlement. The company manages its liquidity risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

NOTE 22: FINANCIAL RISK MANAGEMENT

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The company has no bank overdrafts. The company has no financial guarantee 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 reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

		Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	Note	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
		$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Financial liabilities due									
Trade and other payables	13a	118,138	158,625	-	-	-	-	118,138	158,625
Chattel mortgage liabilities	14	2,790	10,940	-	4,722	-	-	2,790	15,862
Total expected outflows		120,928	169,565	-	4,722	-	-	120,928	174,287
Financial assets realisable									
Cash and cash equivalents	7	135,292	261,883	-	-	-	-	135,292	261,883
Trade and other receivables	8	269,704	211,115	1,000	1,000	-	-	270,704	212,115
Short-term investments	9	1,200,000	960,413	-	-	-	-	1,200,000	960,413
Total anticipated inflows		1,604,996	1,433,411	1,000	1,000	-	-	1,605,996	1,434,411
Net inflow/(outflow)		1,484,068	1,263,846	1,000	(3,722)	-	-	1,485,068	1,260,124

b. **Market risk**

(i) *Interest rate risk*

Exposure to interest rate risk arises on interest-bearing financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect either the future cash flows (in the case of variable interest instruments) or the fair value financial instruments (in the case of fixed rate instruments).

There is no effective variable interest rate borrowings (i.e. un-hedged debt). The company is not exposed to interest rate risk which will impact future cash flows and interest charges.

(ii) *Other price risk*

The company is not exposed to other price risks.

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

NOTE 22: FINANCIAL RISK MANAGEMENT

		Carrying Amount		Fair Value	
		2018	2017	2018	2017
	Note	$000	$000	$000	$000
Financial assets					
Cash and cash equivalents (i)	7	135,292	261,883	135,292	261,883
Trade and other receivables (i)	8	270,704	276,046	270,704	276,046
Held-to-maturity investments	9	1,200,000	960,413	1,200,000	960,413
Total financial assets		1,605,996	1,498,342	1,605,996	1,498,342
Financial liabilities					
Trade and other payables (i)	13a	118,138	158,625	118,138	158,625
Chattel mortgage liabilities	14	2,790	15,662	2,790	15,662
Total financial liabilities		120,928	174,287	120,928	174,287

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments whose carrying amounts approximate their fair values. Trade and other payables exclude amounts relating to the provision of annual leave and deferred revenue, which are outside the scope of AASB 139.

NOTE 23: EARNINGS PER SHARE

	2018	2017
	$	$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	476,579	442,609
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	624,750	624,750

NOTE 24: COMPANY DETAILS

The registered office of the company is:

Paradise Point Financial Services Ltd

Shops 3 & 4, 42 The Esplanade Paradise Point QLD 4216

The registered place of business is:

Paradise Point Financial Services Ltd

Shops 3 & 4, 42 The Esplanade Paradise Point QLD 4216

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Paradise Point Financial Services Ltd, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 39, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards; and

   b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the company.

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.

....

Paul Vertullo (Director)

Dated this 26th day of September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARADISE POINT FINANCIAL SERVICES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Paradise Point 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, statement of changes in equity and 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:

the accompanying financial report of Paradise Point 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 Australian Accounting Standards and the Corporations Regulations 2001;

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Matters

The company is a franchisee of Bendigo and Adelaide Bank Limited in respect of the operation of the community bank branch. The company therefore is bound by franchise agreements and income is calculated by Bendigo bank reporting systems to allocate revenue due to the company in line with the terms of the franchise agreements. The validation, including completeness and accuracy of the commission and revenue calculations in line with the franchise agreements are outside the scope of this audit.

The financial report of Paradise Point Financial Services Limited for the year ended 30 June 2017 were reviewed/audited by another auditor who expressed an unmodified opinion on the financial report on 26 September 2017.

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Information Other than the Financial Report and Auditor's Report Thereon

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.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the company 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.

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.

Boutique Audit Solutions Pty Ltd

Authorised Audit Company No 494151

A.L.Blank.

Andrea Blank BBus CPA RCA

Director

Dated this 26th day of September 2018

Upper Coomera, Qld 4209

Paradise Point **Community Bank**® Branch
42 The Esplanade, Paradise Point QLD 4216
Phone: 5577 4199 Fax: 5577 3944

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Upper Coomera Shopping Centre, Upper Coomera QLD 4209
Phone: 5500 0496 Fax: 5500 0498

Ormeau branch
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(S56052) (416272_v3) (18/10/2018)

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