Annual Report 2019

Paradise Point Financial Services Ltd

Paradise Point Community Bank Branch, Upper Coomera and Ormeau branches

ABN 33 095 686 936

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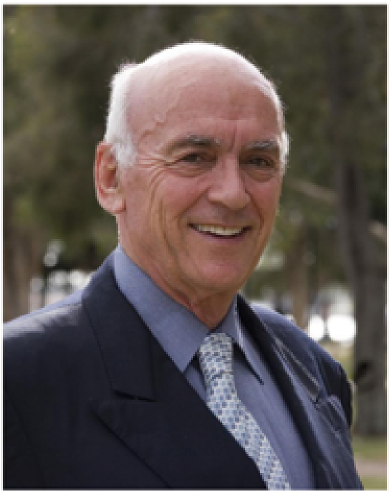
CHAIRMAN'S REPORT 2018-2019 FINANCIAL YEAR



Dear Shareholders,

It is my pleasure to present the 2019 Annual Report and invite you to attend the Paradise Point Financial Services Limited AGM to be held on 14th November at the Paradise Point Community Centre starting at 12 noon.

The AGM is an important event as it provides the shareholders with an opportunity to review the Company's performance and to ask relevant questions from myself and from Tony Jensen, our Senior Manager.

Although the banking environment has been challenging, to say the least, our Company has performed very well, our net profit has increased by more than 20% when compared with the previous financial year.

Our employees continue to provide excellent service to our customers and at the same time achieve good financial returns for your Board to support needy organisations and to pay good dividends to the shareholders. To celebrate our Company's performance the Directors, invite the shareholders who attend the AGM to join us for lunch after the meeting.

Donations and Sponsorship

As a community bank our primary function is to support organisations involved with health, sport, education, the disadvantaged, the arts and other not-for-profit organisations whose members donate their time and expertise for the benefit of the community.

During the financial year we donated more than $200,000. You will find within this report a list of the recipients of the Company's donations and sponsorships for the 2018-2019 financial year. Those funds have made a significant difference to those organisations. We look forward to continuing to support them and others as more people bank with our branches and our Company's profits continue to increase.

Total donations, sponsorships and grants to local community groups from our three branches has almost reached $2million. Our Directors and managers are focused on increasing profits by being very cautious with expenses and by putting in place strategies to attract new customers.

Dividends

The Board recommends a fully franked dividend of 25 cents per share. This dividend brings the total fully franked dividend to $2.02 per share since our Company commenced trading. The Company is in a very healthy financial position, the Directors believe that shareholders should benefit from the Company's strong performance and remunerated for their loyalty and goodwill towards our community company.

The Future

Our three branches are situated in a very fast growing area where billions are being spent in infrastructure, housing and industrial projects providing jobs and business opportunities for the increasing population. To take advantage of the huge potential of the area the Board has decided to upgrade our branches with the first project being the upgrading and refurbishment of the Ormeau branch. The upgrading will provide a better working environment for our employees, it will be more welcoming for our customers and it will help to provide a more efficient and professional service. Our Company's future is assured by the partnership with Bendigo and Adelaide Limited Bank. Our franchise partner enjoys an excellent reputation and remains one of the most trusted financial institutions in the country. The Bendigo Community Bank model is the most locally connected, nationally operated banking network in Australia committed to strengthening local communities. Community banks have contributed more than $230 million to needy organisations Australia wide.

Our Employees

Our employees share the Directors' vision to make Paradise Point Financial Services Limited Australia's premier Community Bank Company. The Board is very grateful and would like to say thank you to all our employees for their commitment to the Community Bank concept. Managers and staff continuously attend evening and weekend functions to make presentations and promote our branches. Our managers are very committed professionals and are fully dedicated to the ongoing success of our community company. The Board is very grateful to our senior manager Tony Jensen, for his enthusiasm, leadership and hard work. He is a mentor and trainer to all our employees. Tony's commitment to achieve our Company's goals is considerable, his professionalism, "can do" attitude and work ethic inspires all our staff to contribute to the best of their abilities.

In conclusion I would like to say thank you to our Board members for their time and expertise and assure you that it is the intention of the Board to continue to work diligently on your behalf in order to deliver great benefits to our community and continue to pay dividends to you our shareholder. I also would like to remind you that in order to achieve our goals we need the community's support and we need you our shareholder to encourage your friends and acquaintances to bank with us so that we can continue to provide assistance to needy organisations in our community.

PAUL VERTULLO
Chairman

SENIOR MANGER'S REPORT

Our business has performed well and reported a solid profit 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 (Business Development Manager) Belinda Sippel (Customer Relationship Manager), Emily Ludvigson (Customer Relationship Manager), Leanne Galloway (Customer Relationship Officer) Jess Dimatulac (Customer Service Supervisor), Clive Onley, Kurt Bannister, Brodie Lunney and Wendy Beardshall (Customer Service Officers).

Upper Coomera

Cassandra Hugonnet (Business Development Manager), Amanda Holmes (Customer Relationship Manager), Janelle Herne, Ben Ajamian, Bree Noormahomed and Brett Ruffels (Customer Service Officers).

Ormeau

Karen McDonald (Business Development Manager), Chris Wilshire (Customer Relationship Manager), Judi Gardiner, Tracy Wensley and Fiona Baltus (Customer Service Officers).

Our business maintains its commitment to our people and our focus of retaining and supporting our team members by ensuring our business is a great place to work. Our aim to provide an environment which fosters opportunities to grow professionally remains a strategic priority. We have continued to evolve our team structures to meet the everchanging needs of our customers and the way they choose to bank with us. The environment is right for us to succeed, and our business is poised to take advantage of the opportunities ahead.

The impact and value across many of our cherished community relationships remains to be core of profit for purpose business model. 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 continue to make a remarkable difference across the community. This year our community impact included the successful continuation of our board observer program in conjunction with Griffith University and an exciting growth of our local scholarship program where 10 local students received scholarships towards their tertiary studies.

The growth of our business and acquisition of more customers remains a strategic priority across our key markets of Paradise Point, Ormeau and Upper Coomera. During the financial year we exceeded 8,000 customers across our 3 branches which is a great achievement.

Our business performance for the financial year is another good story to share achieving a sound increase in net profit on the previous year. Across our three branches our total business footings at June 30, 2019 was a credible $503 million, comprised of $168 million in loans, $233 million in deposits and $95 million in other business. With our branches well situated within the residential growth corridor of Australia, combined with record low interest rates and 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.

You may not think who you bank with matters, but it does. For our customers, their banking is making a real difference

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. Every day our customers help change lives, and save lives, simply by banking with us.

And that's pretty powerful.

Tony Jensen

Senior Manager

Left to right: Mr William Matthews, Mr Paul Wraith, Mr Gary Kuppe, Ms Lesley Woodford-Carr, Mr Paul Vertullo, Dr Timo Dietrich and Mr Pat Crotty.
A: Eric Lewis and Martin Mankowski

2018/19 Community Contributions

The Board wish to share with you the great community outcomes of the past year, made possible by the ongoing support of our shareholders and customers. Throughout the 2018/19 Financial Year, the Board has supported more than 40 local community organisations by contributing more than $190,000 in sponsorships, donations and grants.

Griffith University Institute of Glycomics
The Board has contributed $50,000 to Griffith University's Institute of Glycomics since 2015, including $10,000 in the 2018/19 Financial Year towards the purchase of a Digital Dispenser. Our sponsorship ensures the Institute and its researchers have access to the most innovative assets as they deliver on their vision of delivering novel drugs and vaccines to the community. We continue to be amazed and inspired by the incredible work done by the Institute, and we look forward to seeing the dispenser in action.

Hope Island Rotary Club Armistice Memorial
This year the Board proudly donated $20,000 towards the construction of an Armistice Memorial undertaken by the Hope Island Rotary Club, to be located at the entrance to Sanctuary Cove. The memorial project will provide a peaceful location to honour Australian military servicemen and women.

Griffith University Scholarship Program
In the past two years, 11 local Griffith University students have shared in $17,000 worth of financial support as part of the Bendigo Bank Paradise Point Community Bank Scholarship Program. This program is an investment in education that assists young people commence their tertiary education, strengthens communities for the long term and is a tangible example of the good that banking with us can achieve. Applications are now open for the 2020 scholarship program.

Home of the Arts (HOTA)

Now in its fifth year as Venue Partner to *Home of the Arts* (HOTA), the Board has contributed more than $159,000 to dozens of spectacular events and productions – from major productions such as Miss Saigon and HAIR, to theatrical stage shows for families such as George's Marvellous Medicine, Kids Take Over HOTA and the annual GLOW Festival. This significant investment by the Board allows HOTA to deliver a diverse, and often free, program of arts and culture to more than 800,000 visitors.

Economic Update

The Paradise Point Community Bank Branch Economic Update has become an anticipated event on the local business calendar, with more than 160 guests attending the now annual event. With respected guest speakers ranging from local politicians, University scholars and trusted economists, the event brings together business minds to engage in robust conversation about the Gold Coast's economic forecast from property prices to population growth and jobs. In 2019, we were privileged to welcome Griffith Business School as a named host and event partner.

Griffith University Community Door Program

In addition to monetary contributions the Board has provided mentoring through the annual *Griffith University Community Door Program*, giving two Griffith University students the opportunity to participate in board operations as active contributors. The program offers young leaders in the community a guided personal development opportunity to build confidence and business acumen while accelerating their industry experience. The program encourages diversity across our board room and invites young people into the decision-making process.

Paradise Point:

- Support the Girls
- Griffith University Institute for Glycomics
- Griffith University Scholarships
- Griffith University School of Business – Education
- QLD Parasailing Academy
- Crusaders Futsal Club
- Drought Angels
- 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 Soccer Club - Bayhawks
- St Francis Xavier School
- Teenage Adventure Camps – Youth Care
- Home of The Arts, Gold Coast
- Seahawks Gold Coast Basketball Inc
- Gold Coast University Hospital Foundation
- Lions Club of Palm Beach
- Lions Club of Sanctuary Cove Hope Island
- Rotary Club of Broadwater-Southport
- Rotary Club of Hope Island – Armistice Memorial
- Make-A-Wish Charity Ball
- Southport Croquet Club
- QLD Blue Light Association
- Prostrate Cancer
- Coombabah State School
- Men of Business
- Salvation Army – Qld Flood Appeal
- DV Prevention Centre GC
- QLD Police Service

Upper Coomera:

- Highland Reserve School P&C
- Equestrian Gold Coast
- Northern Collegiate Australian Business Week
- Oxenford Men's Shed
- Rotary Club of Coomera Valley
- Upper Coomera Lions Club
- Tamborine Show Society
- Tamborine Mountain Chamber of Commerce
- Christmas Presents for Kids in Care
- Upper Coomera Neighbourhood Watch
- Oxenford (Coomera 3) Neighbourhood Watch

Ormeau:

- Gold Coast Inclusive Sports Program
- Highway Christian Church – Carols
- Norfolk Village State School
- Ormeau Bulldogs Junior Australian Football Club
- Alberton Ormeau Jnr Cricket Club
- Ormeau Shearers Jnr Rugby League
- Brisbane Polo & Equestrian Club
- Ormeau Woods State High School
- Lil Love Bug
- Pimpama State Secondary College
- Ormeau Football Club Inc

PARADISE POINT FINANCIAL SERVICES LTD

ABN: 33 095 686 936

Financial Report for the Year Ended

30 June 2019

PARADISE POINT FINANCIAL SERVICES LTD

ABN: 33 095 686 936

Financial Report For The Year Ended 30 June 2019

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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 2019.

Directors

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

Paul Vertullo (Chair)	Timo Henrik Oliver Dietrich
Lesley Karen Woodford-Carr	Eric James Lewis
Ewald Gerhard Kuppe	Patrick William Crotty (appointed 06/09/2018)
Paul James Wraith	
Martin Leopold Mankowski	

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 $610,316, which is an 22% increase as compared with that of the previous year (2018: $476,730).

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:

- An interim fully franked interim dividend of $62,475 (10 cents per share) was declared and paid on 12 June 2019 (2018: $62,475).
- Additionally, a final fully franked dividend of $131,198 (21 cents per share) was declared and paid on 20 December 2018 as recommended in last year's report (2018: $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.
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
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
Patrick William Crotty	Real Estate Consultant
Qualifications	Completed Secondary schooling at Mt Carmel College, Charters Towers, QLD
Experience	Vice Chair Board of advice, Institute for Glycomics, Griffith University 34 years with the Queensland Police Service, finishing as Inspector of Police in charge of Surfers Paradise Received the Police Commissioners Certificate for outstanding service to the Indy Car Race 1997-2002 State Secretary, National Party Queensland Currently Real Estate Consultant with Professionals, Paradise Point

Directors' Meetings

During the financial year, 14 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Directors	Directors' Meetings Eligible to Attend	Directors' Meetings Attended	Sponsorship Committee Eligible to Attend	Sponsorship Committee Attended
Paul Vertullo (Chair)	12	11	-	-
Lesley Woodford-Carr	12	10	12	11
Ewald Gerhard Kuppe	12	10	12	10
Paul James Wraith	12	12	12	9
Martin Mankowski	12	10		
Timo Henrik Oliver Dietrich	12	9		
Eric James Lewis	12	10		
Patrick William Crotty	11	10		

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 24th day of September 2019

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 2019 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 24th day of September 2019

Upper Coomera, Qld 4209

p. PO Box 549 Upper Coomera Qld 4209
t. 0409 610 131
e. info@boutiqueauditsolutions.com.au
w. boutiqueauditsolutions.com.au

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue	2	3,250,968	3,007,419
Other income	2c	9,278	610
Employee benefits expense	3	(977,636)	(1,108,032)
Charitable donations, sponsorships, advertising and promotion		(247,163)	(231,758)
Occupancy and associated costs		(301,635)	(305,858)
Finance costs	3	(43)	(14)
Depreciation and amortisation expenses		(70,350)	(71,593)
General administration		(816,091)	(621,252)
Loss on disposal of non-current assets		(25)	(479)
Profit before income tax		847,303	669,043
Tax expense	4	(236,987)	(192,313)
Profit for the year		610,316	476,730
Other comprehensive income:			
Total other comprehensive income for the year			-
Total comprehensive income for the year		610,316	476,730
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	97.65	76.28

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	248,244	135,292
Trade and other receivables	8	291,245	269,704
Short-term investments	9	1,532,687	1,200,000
Other assets	12	25,795	20,409
TOTAL CURRENT ASSETS		2,097,971	1,625,405
NON-CURRENT ASSETS			
Trade and other receivables	8	1,000	1,000
Property, plant and equipment	10	274,777	309,525
Intangible assets	11	114,663	114,603
Other assets	12	4,500	8,500
TOTAL NON-CURRENT ASSETS		394,940	433,628
TOTAL ASSETS		2,492,911	2,059,033
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	138,408	118,138
Borrowings	14	-	2,790
Current tax liabilities	15	79,399	62,305
Provisions	16	36,784	51,085
TOTAL CURRENT LIABILITIES		254,591	234,318
NON-CURRENT LIABILITIES			
Borrowings	14	-	-
Deferred tax liabilities	15	28,800	24,886
Provisions	16	15,178	22,132
TOTAL NON-CURRENT LIABILITIES		43,978	47,018
TOTAL LIABILITIES		298,569	281,336
NET ASSETS		2,194,342	1,777,697
EQUITY			
Issued capital	17	608,450	608,450
Retained earnings		1,585,892	1,169,247
TOTAL EQUITY		2,194,342	1,777,697

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	Ordinary Share Capital	Retained Earnings	Total
		$	$	$
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
Balance at 1 July 2018		608,450	1,169,247	1,777,697
Comprehensive income				
Profit or loss for the year		-	610,316	610,316
Total comprehensive income		-	610,316	610,316
Transactions with owners, in their capacity as owners				
Dividends paid or provided for	5	-	(193,673)	(193,673)
Balance at 30 June 2019		608,450	1,585,892	2,194,342

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,529,677	3,283,572
Payments to suppliers and employees		(2,668,913)	(2,560,727)
Interest received		33,047	29,008
Interest paid		(43)	(14)
Income tax paid		(215,980)	(236,847)
Net cash provided by operating activities	20a	677,788	514,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of non-current assets		6,700	7,727
Purchase of property, plant and equipment		(3,324)	(73,237)
Purchase of intangible assets		(39,062)	(136,189)
Purchase of financial assets		(332,687)	(239,587)
Net cash used in investing activities		(368,373)	(441,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of borrowings		(2,790)	(12,872)
Payment of dividends on ordinary shares		(193,673)	(187,425)
Net cash used in financing activities		(196,463)	(200,297)
Net (decrease) / increase in cash held		112,952	(126,591)
Cash and cash equivalents at beginning of year		135,292	261,883
Cash and cash equivalents at end of year	7	248,244	135,292

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) 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 expensed to 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.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15 : *Revenue from Contracts with Customers* .

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3 : *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

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All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance to AASB 9.3.25.3; and
- the amount initially recognised less accumulative amount of income recognised in accordance with the revenue recognition policies.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

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- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Company initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a company of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Company made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss.

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

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the Company elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;

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- contract assets (eg amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the following approaches to impairment, as applicable under AASB 9 : *Financial Instruments* :

- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the Company assessed whether the financial instruments are credit impaired, and:

- if the credit risk of the financial instrument increased significantly since initial recognition, the Company measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- if there was no significant increase in credit risk since initial recognition, the Company measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions that are within the scope of AASB 15: *Revenue from Contracts with Customers*, and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Purchased or originated credit-impaired approach

For a financial assets that are considered to be credit-impaired (not on acquisition or

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originations), the Company measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);
- where a lender has granted to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- the likelihood that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Company assumes that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Company applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

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.

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;

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- 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 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.

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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 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

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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 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

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

There are two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018 and are

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therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 c). There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 Leases and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial

statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for the operating leases of its branches. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $1,364,792.

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

NOTE 2: REVENUE AND OTHER INCOME

	Note	2019 $	2018 $
Revenue			
Services and other revenue		3,218,958	2,981,603
Dividend revenue	2a	-	-
Interest revenue	2b	32,010	25,816
Total Revenue		3,250,968	3,007,419
a. **Dividend revenue**			
Dividends from short-term investments (available-for-sale)		-	-
Total dividend income		-	-
b. **Interest revenue**			
Other corporations		32,010	25,816
Total interest income		32,010	25,816
c. **Other income**			
Other sundry income		9,278	610
Total other income		9,278	610

NOTE 3: PROFIT/(LOSS) BEFORE INCOME TAX

	2019 $	2018 $
Profit before income tax from continuing operations includes the following expenses:		
Expenses		
Employee benefits expense:		
– Employee benefits expense	977,636	1,108,032
Finance costs:		
– Interest expense	43	14

NOTE 4: INCOME TAX

	Note	2019 $	2018 $
a. The components of tax expense comprise:			
– current tax expense		233,073	193,303
– deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	15	3,914	(990)
		236,987	192,313

NOTE 4: INCOME TAX

		Note	2019 $	2018 $
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% (2018: 27.5%)		233,008	183,987
	Add tax effect of:			
	– Non-deductible depreciation and amortisation		-	3,259
	– other non-allowable items		3,979	5,067
	Income tax attributable to entity		236,987	192,313
	The applicable income tax rate is the Australian federal tax rate of 27.5% (2018: 27.5%) applicable to Australian resident companies.			
	Weighted average effective tax rates are:		28.0%	28.7%

NOTE 5: DIVIDENDS

	2019 $	2018 $
Dividends recognised as distributions and paid during the period:		
Final fully franked ordinary dividend of 21 cents per share (2018: 20 cents per share) franked at the tax rate of 27.5% (2018: 27.5%)	131,198	124,950
Interim fully franked ordinary dividend of 10 cents per share (2018: 10 cents per share) franked at the tax rate of 27.5% (2018: 27.5%)	62,475	62,475
Per share dividends amount paid during the period	0.31	0.30

NOTE 6: AUDITOR'S REMUNERATION

	2019 $	2018 $
Remuneration of the auditor is as follows:		
Auditing or reviewing the financial statements	5,500	5,500
Total auditor's remuneration	5,500	5,500

NOTE 7: CASH AND CASH EQUIVALENTS

	2019	2018
	$	$
Cash at bank and on hand	248,244	135,292
	248,244	135,292

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	248,244	135,292
Less bank overdraft	-	-
Per the statement of cash flows	248,244	135,292

NOTE 8: TRADE AND OTHER RECEIVABLES

	2019	2018
	$	$
CURRENT		
Trade receivables:		
Trade receivables	285,840	263,622
	285,840	263,622
Other receivables:		
Accrued income	5,405	6,082
	5,405	6,082
Total current receivables	**291,245**	**269,704**
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
	$	$	$	$	$	$
2019						
Trade receivables	285,840	-	-	-	-	285,840
Other receivables	6,405	-	-	-	-	6,405
Total	**292,245**	-	-	-	-	**292,245**
2018						
Trade receivables	263,622	-	-	-	-	263,622
Other receivables	7,082	-	-	-	-	7,082
Total	**270,704**	-	-	-	-	**270,704**

	2019	2018
	$	$
a. **Financial assets at amortised cost classified as trade and other receivables**		
Trade and other receivables:		
Current	291,245	269,704
Non-current	1,000	1,000
Total financial assets classified as trade and other receivables	292,245	270,704

b. **Collateral held**

No collateral is held over trade and other receivables.

NOTE 9: FINANCIAL ASSETS

	Note	2019	2018
		$	$
CURRENT			
Short-term investments:			
Held-to-maturity investments	9a	1,532,687	1,200,000
Total current financial assets		1,532,687	1,200,000

NOTE 9: FINANCIAL ASSETS

	Note	2019 $	2018 $
a. Held-to-maturity investments:			
Term deposits	22	1,532,687	1,200,000
		1,532,687	1,200,000

NOTE 9: FINANCIAL ASSETS

	Gross Amount $	Past Due and Impaired $	Past Due but Not Impaired $	Not Past Due $
2019				
Short-term investments	1,532,687	-	-	1,532,687
Total	**1,532,687**	**-**	**-**	**1,532,687**
2018				
Short-term investments	1,200,000	-	-	1,200,000
Total	1,200,000	-	-	1,200,000

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Note	2019 $	2018 $
Leasehold improvements:			
At cost		8,720	8,720
Accumulated depreciation		(590)	(372)
Total leasehold improvements	10a	8,130	8,348
Motor vehicles:			
At cost		-	19,774
Accumulated depreciation		-	(12,357)
Total motor vehicles	10a	-	7,417
Plant and equipment:			
At cost		715,261	712,546
Accumulated depreciation		(448,614)	(418,786)
Total plant and equipment	10a	266,647	293,760
Total property, plant and equipment		274,777	309,525

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Note	2019 $	2018 $
a. **Movements in carrying amounts**			
Leasehold improvements:			
Balance at the beginning of the reporting period		8,348	8,566
Additions		-	-
Depreciation expense		(218)	(218)
Balance at the end of the reporting period		8,130	8,348

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Note	2019 $	2018 $
Motor vehicles:			
Balance at the beginning of the reporting period		7,417	19,850
Disposals – at written-down value		(6,116)	(8,207)
Depreciation expense		(1,301)	(4,226)
Balance at the end of the reporting period		-	7,417
Plant and equipment:			
Balance at the beginning of the reporting period		293,760	253,853
Additions		2,715	73,238
Depreciation expense		(29,828)	(33,331)
Balance at the end of the reporting period		266,647	293,760

NOTE 11: INTANGIBLE ASSETS

	Note	2019 $	2018 $
Franchise fees:			
Franchise renewal fees at cost		301,117	262,056
Franchise establishment fees at cost		277,800	277,800
Accumulated amortisation		(464,254)	(425,298)
Net carrying amount	11a	114,663	114,558
I.T Software at cost:			
At cost		30,491	30,491
Accumulated amortisation		(30,491)	(30,491)
Net carrying amount	11a	-	-

NOTE 11: INTANGIBLE ASSETS

	Note	2019 $	2018 $
Borrowing costs:			
At cost		1,170	1,170
Accumulated amortisation		(1,170)	(1,125)
Net carrying amount	11a	-	45
Total intangible assets		114,663	114,603

a. **Movements in carrying amounts**

	2019 $	2018 $
Franchise fees:		
Balance at the beginning of the reporting period	114,558	11,851
Additions	39,061	136,189
Amortisation expense	(38,956)	(33,482)
Balance at the end of the reporting period	114,663	114,558

NOTE 11: INTANGIBLE ASSETS

	2019 $	2018 $
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	45	381
Amortisation expense	(45)	(336)
Balance at the end of the reporting period	-	45

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

	2019	2018
	$	$
CURRENT		
Prepayments	25,795	20,409
Total current other assets	**25,795**	**20,409**
NON-CURRENT		
Prepayments	4,500	8,500
Total non-current other assets	**4,500**	**8,500**

NOTE 13: TRADE AND OTHER PAYABLES

	Note	2019	2018
	Note	**$**	**$**
CURRENT			
Unsecured liabilities:			
Sundry payables and accrued expenses		138,408	118,138
Total current unsecured liabilities		138,408	118,138
Total trade and other payables	13a	138,408	118,138

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

	Note	2019	2018
Trade and other payables:			
Total current		138,408	118,138
Financial liabilities as trade and other payables	22	138,408	118,138

NOTE 14: BORROWINGS

	2019	2018
	$	$
CURRENT		
Chattel mortgage	-	2,790
Total current borrowings	**-**	**2,790**
NON-CURRENT		
Chattel mortgage	-	-
Total non-current borrowings	**-**	**-**
Total borrowings	**-**	**2,790**

a. **Collateral held**

No collateral is held

NOTE 15: TAX BALANCES

	2019	2018
	$	$
Current liabilities		
Income tax payable	79,399	62,305
Non-current liabilities		
Deferred tax liabilities	28,800	24,886

	Balance as at 30 June 2019	(Charged)/ Credited to Income	Balance as at 30 June 2018	(Charged)/ Credited to Income	Balance as at 30 June 2017
	$	$	$	$	$
Deferred tax liabilities					
Property, plant and equipment	34,966	(3,121)	38,087	(2,782)	40,869
Provisions	(13,679)	5,845	(19,524)	4,628	(24,152)
Other	7,513	1,190	6,323	(2,836)	9,159
	28,800	3,914	24,886	(990)	25,876

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 (2018: $76,395)
- tax losses: operating losses $nil (2018: $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 2018	70,996	2,221	73,217
Amount provided / (utilised) during the year	(21,255)	-	(21,255)
Balance at 30 June 2019	49,741	2,221	51,962

	2019	2018
	$	**$**
CURRENT		
Annual leave	27,209	42,508
Long service leave	7,354	6,356
Dividends	767	767
Fringe benefits tax	1,454	1,454
NON-CURRENT		
Long service leave	15,178	22,132
Total provisions	51,962	73,217

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

	2019	2018
	$	**$**
624,750 fully paid ordinary shares (2018: 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

	2019	2018
	No.	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 2019 and 30 June 2018 is as follows:

	Note	2019 $	2018 $
Borrowings:			
– chattel mortgage liabilities		-	2,790
Total borrowings		-	2,790
Trade and other payables	13	138,408	118,138
Less cash and cash equivalents	7	(248,244)	(135,292)
Net debt		-	-
Total equity		2,194,342	1,777,546
Total capital		2,194,342	1,777,546
Gearing ratio (%)		0%	0%

NOTE 17: CAPITAL AND LEASING COMMITMENTS

	2019	2018
	$	$
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payables – minimum lease payments:		
– not later than 12 months	224,919	244,572
– between 12 months and 5 years	324,819	398,691
– later than 5 years	-	-
Total operating lease payables	549,738	643,263

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

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

		2019	2018
		$	$
a.	**Reconciliation of cash flows from operating activities with profit for the year**		
	Profit after income tax	610,316	476,730
	Non-cash items:		
	Depreciation and amortisation	70,350	71,593
	Net loss on disposal of property, plant and equipment	25	479
		680,691	548,802
	Changes in assets and liabilities:		
	Decrease/(increase) in trade and other receivables	(21,541)	5,342
	Decrease/(increase) in prepayments	(1,386)	35,427
	Decrease/(increase) in trade and other payables	22,491	(40,487)
	(Decrease)/increase in provisions – employee benefits	(23,475)	(7,162)
	(Decrease)/increase in provisions - other	-	(2,801)
	(Decrease)/increase in current tax liabilities	17,094	(23,139)
	(Decrease)/increase in deferred tax liabilities	3,914	(990)
		(2,903)	(33,810)
	Net cash provided by operating activities	**677,788**	514,992

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

	2019	2018
	$	$
(i) *Key management personnel*		
Key management personnel compensation	10,000	10,000
Total compensation	10,000	10,000
	# Shares	**# Shares**
Shares held by key management personnel:		
Paul Vertullo	50,500	50,500
Ewald Gerhard (Garry) Kuppe	16,000	16,000
Paul James Wraith	59,900	59,900
Lesley Karen Woodford-Carr	3,500	3,500
Martin Leopold Mankowski	2,500	2,500
Timo Henrik Oliver Dietrich	1,000	1,000
Eric James Lewis	500	500
Patrick William Crotty	-	-
Total shares held by key management personnel	133,900	133,900

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 $39,500 (2018: $31,200).

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	2019 $	2018 $
Financial assets			
Cash and cash equivalents (net of bank overdrafts)	7	248,244	135,292
Trade and other receivables	8	292,245	270,704
Short-term investments:			
– held-to-maturity investments	9	1,532,687	1,200,000
Total financial assets		2,073,176	1,605,996
Financial liabilities			
Trade and other payables	13a	138,408	118,138
Borrowings	14	-	2,790
Total financial liabilities		138,408	120,928

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	2019	2018	2019	2018	2019	2018	2019	2018
		$000	$000	$000	$000	$000	$000	$000	$000
Financial liabilities due									
Trade and other payables	13a	138,408	118,138	-	-	-	-	138,408	118,138
Chattel mortgage liabilities	14	-	2,790	-	-	-	-	-	2,790
Total expected outflows		138,408	120,928	-	-	-	-	138,408	120,928
Financial assets realisable									
Cash and cash equivalents	7	248,244	135,292	-	-	-	-	248,244	135,292
Trade and other receivables	8	291,245	269,704	1,000	1,000	-	-	292,245	270,704
Short-term investments	9	1,532,687	1,200,000	-	-	-	-	1,532,687	1,200,000
Total anticipated inflows		2,072,176	1,604,996	1,000	1,000	-	-	2,073,176	1,605,996
Net inflow/(outflow)		1,933,768	1,484,068	1,000	1,000	-	-	1,934,768	1,485,068

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	
		2019	**2018**	2019	2018
	Note	**$000**	**$000**	$000	$000
Financial assets					
Cash and cash equivalents (i)	7	248,244	135,292	248,244	135,292
Trade and other receivables (i)	8	292,245	270,704	292,245	270,704
Held-to-maturity investments	9	1,532,687	1,200,000	1,532,687	1,200,000
Total financial assets		2,073,176	1,605,996	2,073,176	1,605,996
Financial liabilities					
Trade and other payables (i)	13a	138,408	118,138	138,408	118,138
Chattel mortgage liabilities	14	-	2,790	-	2,790
Total financial liabilities		138,408	120,928	138,408	120,928

(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

	2019	2018
	$	**$**
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	610,316	476,730
(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 42, 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 2019 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 24th day of September 2019

Boutique audit solutions

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 2019, 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 2019 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. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 : *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* , which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Matter

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.

CPA

p. PO Box 549 Upper Coomera Qld 4209
t. 0409 610 131
e. info@boutiqueauditsolutions.com.au
w. boutiqueauditsolutions.com.au

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

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 2019, 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.

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

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 24th day of September 2019

Upper Coomera, Qld 4209

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Paradise Point Community Bank Branch
42 The Esplanade, Paradise Point QLD 4216
Phone: 5577 4199 Fax: 5577 3944
Email: ParadisePoint@bendigoadelaide.com.au

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

Ormeau branch
21 Peachey Road, Ormeau QLD 4208
Phone: 5549 1256 Fax: 5546 6915

Franchisee: Paradise Point Financial Services Ltd
42 The Esplanade, Paradise Point QLD 4216
Phone: 5577 4199 Fax: 5577 3944
ABN: 33 095 686 936
Email: phoebe@paradisepointfs.com

Share Registry:
AFS & Associates
61 Bull Street, Bendigo, VIC 3550
PO Box 454, Bendigo, VIC 3550
w: afsbendigo.com.au

www.bendigobank.com.au/paradise-point
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